

Foreign Trade Policy 2023

→ effective from 1st April 2023

- FTP - A set of guidelines/instructions issued by CG in matters related to foreign trade i.e. Import/Export.

Aim: Develop & promote foreign Trade, Regulate Import/Export, favourable balance of payment, stimulate greater economic activity

Legislation Governing FTP: The Foreign Trade (Development & Regulation) Act, 1992

Concerned Ministry: Ministry of Commerce and Industry

↓ Attached office

Directorate General of Foreign Trade Organization

↓ Headed by

DGFT - Directorate General of Foreign Trade (Headquarters at Delhi)

→ **Role of DGFT:**

- 1) Formulate, control and supervise FTP
- 2) Issue authorisation for import/export
- 3) Grant Import Export Code (IEC)
- 4) Monitoring export obligation
- 5) Issue orders w.r.t. interpretation of provision of FTP

* Other Authorities dealing with FTP: CBIC (Ministry of Finance)
RBI, State GST Departments

Import/Export of Goods can be broadly categorized as

Free

Restricted

Prohibited

* Certain items can be traded exclusively through STE (State Trading Enterprise). Eg: ONGC, Food corp. of India, etc.

* General Provisions regarding Import/Export:

- Exports & imports are 'free' unless regulated except when regulated by way of prohibition, restriction, or exclusively through State Trading Enterprises as laid down in ITC (HS).
- Importer - Exporter code (IEC)
 - No import/export of goods without IEC
 - 10 character alpha numeric number
 - PAN is IEC w.e.f. 1/7/17
 - IEC allotted to an applicant is permanent unless cancelled by DGFT.
- Import/Export of Restricted goods only in accordance with authorisation/permission.
- Authorisation is not a right. DGFT shall have power to refuse to grant/renew the same
- Contract may be in INR or Forex but dealisation has to be in Forex (May realise INR through VOSTRO A/c)

Duty Exemption/Remission Scheme :-

→ Advance Authorisation (AA):

- scheme to import inputs used in manufacturing of export goods without payment of Duty.
- Make application online & obtain authorisation which remains valid upto 12m from date of issue (w.e. is more)
(+ Revalidation of further 12m once) OR specified period

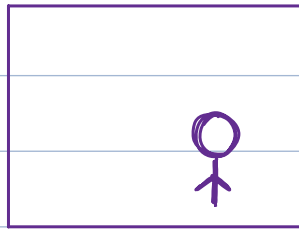
Material covered:

Inputs, consumables

(fuel, oil, catalyst),

spare material (max 10%

of CIF value of AA)



Physical export,

Specified Deemed Export

AA is non transferable
(Actual user condition)

BCD, addⁿ duties, IGST, cess - Exempt

Quantity: Based on SION (Std. Input Output Norms) but if SION not available then Qty. (I/O Ratio) shall be determined by Regional Authority office of DGFT.

Annual AA: If SION available, max. 300% of FOB value of preceeding F.Y. OR 1 crore ^{↑ w.e. is Higher}
If SION not available, then annual requirement facility not available.

• Export experience minimum 2 years

Export Obligation Period - 90 DAYS from import (No further extension)

Value Addition condition: Min. 15%

$$\frac{\text{FOB value of Export} - \text{CIF value of Import}}{\text{CIF value of Import}}$$

→ **Duty Free Import Authorization (DFIA):**

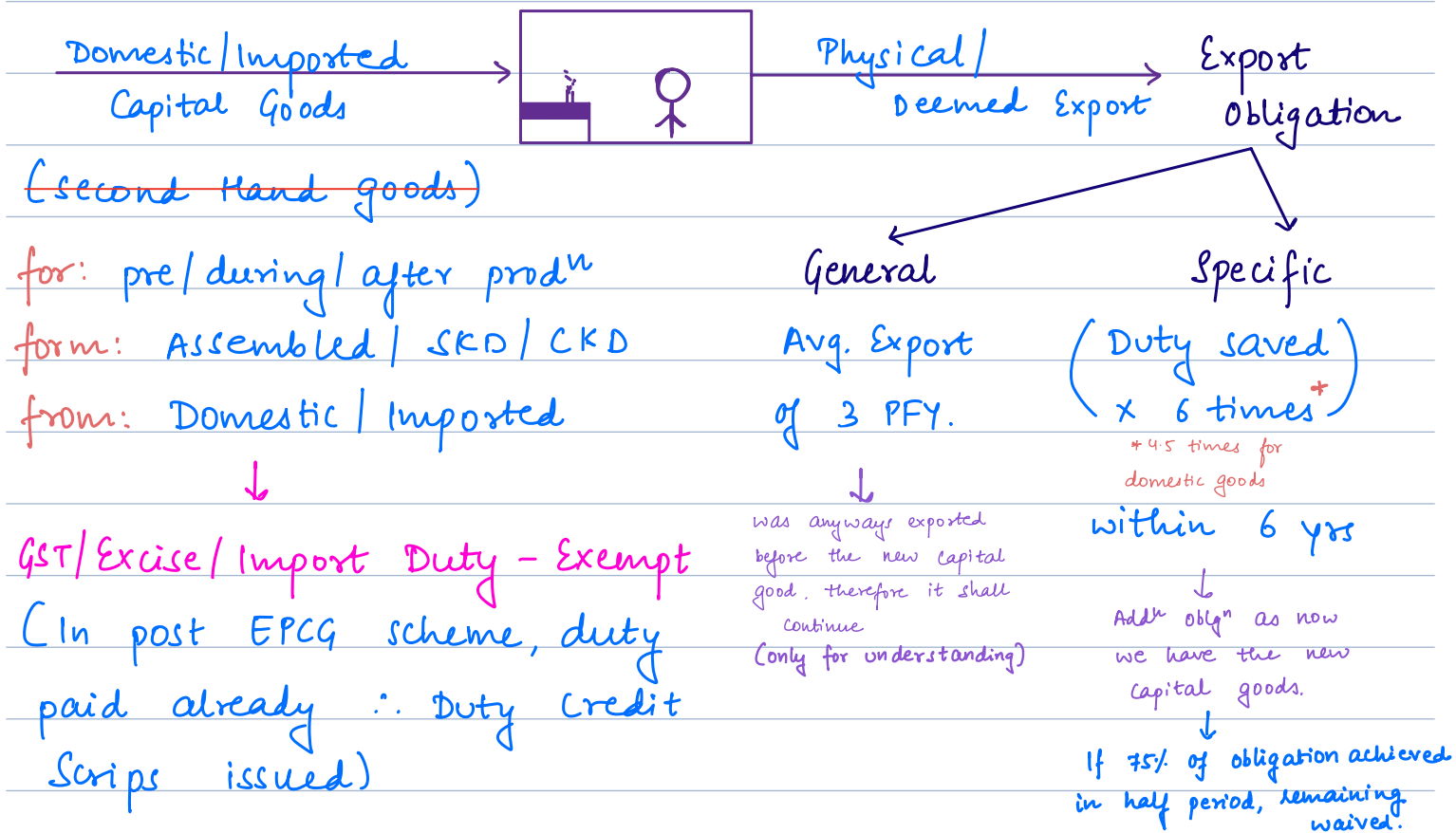
- It is a post export facility to import inputs used in manufacture of export products (fuel not allowed)
- DFIA issued only if SION has been notified.
- Minimum value addition 20% (export shall be completed within 12m)

- Only BCD exemption, other duties payable
- DFIA is transferable (No Actual user condition)
- Export shall be completed within 12 months from filing online application, then DFIA issued



Valid for 12 months from issue date for duty free imports

→ Export Promotion Capital Goods (EPCG) Scheme:



- Valid for 24 months for imports from date of issue
(No Revalidation)

→ RODTEP (Remission of Duties & Taxes on Export Products)

- Scheme is based on globally accepted principle that taxes & duties should not be exported.
- Granted @ rate notified as a % of FOB with a value cap p.u. for some items

- Issued in form of transferable duty credit / electronic scrip credited to electronic credit ledger under Customs Automated System.
- Duty credit shall only be used to pay BCD. (GST)
- Applicability of RODTEP scheme extended for eligible exports from DTA, by AA holders, EOUs and SEZ units upto
31.3.2026

* Categories of exports/exporters ineligible for RODTEP rebate:

- Export of imported goods in same/substantially same form
- Exports through trans-shipment via India
- Products subjected to minimum export price or export duty
- Restricted/Prohibited for export under FTP
- Deemed Exports
- Products manufactured by DTA units to SEZ/FTWZ units.
- Products manufactured partly/wholly in a warehouse
u/s 65 of Customs Act.
- Products manufactured/exported availing benefit of notification relating to jobwork/re-export of goods supplied by foreign supplier.
- Exports for which electronic documentation in ICEGATE EDI has not been generated / exports from non-EDI ports.
- Used Goods

→ Status Holder :

- Business leaders who have excelled in International Trade and have successfully contributed to foreign trade
Provided on the basis of
Export Performance in → CFY + Preceding 3 F.Y.

Status category	(in million US \$)* Export Performance	Export on re-export
1 Star	3	basis shall not be counted & export performance is not transferable.
2 Star	15	
3 Star	50	
4 Star	200	
5 Star	800	

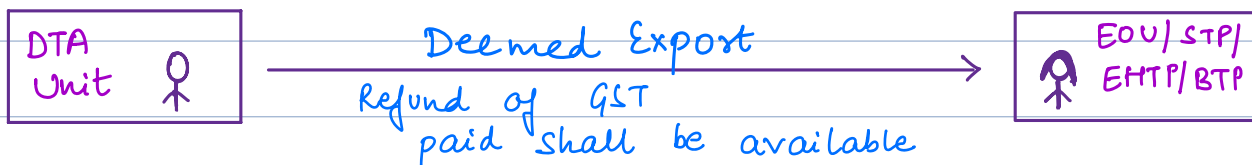
* For deemed export, FOR value of exports in Indian Rupees shall be converted in US\$ at the exchange rate notified by CBIC, as applicable on 1st April of each Financial Year.

For calculating export performance of One Star Status House, exports by MSME units having ISO/BIS certification, units located in Northeastern states including J&K, Ladakh, Sikkim & export of fruits/vegetables shall be granted Double weightage.

- * Privileges
- Authorisation on self declaration basis
 - Fixation of SION within 60 Days
 - Exemption from compulsory Bank guarantees
 - Permission to establish private bonded warehouse (≥ 2 star)
 - Sample export (Free of cost) upto 2% of average annual realisation in 3 yrs. (Max. 1 cr for gems/jewellery sector)

EOUs / EHTPs / STPs / BTPs :

- Import Inputs / Capital goods without payment of duty
(Custom + GST)
↓
for manufacture, incl. repairs, remake, reconditioning, re-engineering, rendering of services, development of software (~~Trading Units~~)
- Only project having minimum investment of 1 cr in P&M shall be considered for establishment of EOU, other than agri./handicraft, etc. (N.A. to EHTP/STP/BTP)
- Must have positive Net Foreign exchange earning calculated cumulatively in block of 5 yrs starting from production.



- Unutilised Material
 - Transfer to another EOU/EHTP/STP/BTP (treated as import for receiver)
 - Exported
 - Dispose off in DTA with intimation to custom authorities + payment of BCD & GST

Deemed Exports :

- Goods don't leave India
→ payment recd. in INR/FOREX
 - Supply to EOU/STP/EHTP/BTP
 - Supply under AA/DFIA/EPCG
 - Supply to mega power projects, nuclear projects, UN or international organizⁿ for official use.

Merchant Exports: Export Documents (SB/BOE) shall contain name of both merchant exporter & original supplier. (invoice/BRC/export order may be in the name of Merchant Exporter)

Merchant Trading: Merchanting Trade involving shipment of goods from one foreign country to another foreign country without touching Indian Ports, or shipment of goods within one specific foreign country, involving an Indian intermediary is allowed subject to compliance with RBI guidelines, except for goods in the CITES, or under SCOMET.

★ Developing Districts as Export Hubs

- Products/Services with export potential in each district identified and institutional mechanism in the form of District Export Promotion Committees (DEPCs) at district level to be created to provide support for export promotion and address the bottlenecks for export growth in the district.
- A District Export Action Plan (DEAP) may be prepared.
- 2-3 high potential products/services from districts may be prioritised and comprehensive plan for their export growth may be prepared and implemented.

★ Authorized Economic Operator (AEO):

- Entity engaged in international trade is granted AEO status, if approved by Customs as compliant with

Supply chain security standards. Such entities are considered as trusted trade partner of Indian Customs.

- They get extensive benefits including preferential customs treatment in terms of reduced examination, faster processing, deferred payment of duties, etc.

★ Towns of Export Excellence (TEE):

- Selected towns which are contributing handsomely to India's exports by producing goods of specified amount may be granted recognition as TEE.
- Provided with targeted support and infrastructure development to maximize export competitiveness and move up the value chain.

Import of items under Advance Authorisation/EOU/SEZ enabled without compliance to mandatory Quality Control Orders (QCO)

Quality Control Orders (QCOs) are regulatory mandates issued by the Indian government to ensure that products meet specific quality standards. Domestic manufacturers as well as importers need to ensure that products covered by QCOs must not be manufactured/imported without compliance with specific standards. Enabling provisions have been incorporated in FTP for exempting inputs imported by AA holders, EOUs and SEZ from mandatory Quality Control Orders (QCOs). However, import of inputs under Advance Authorisation/EOU/SEZ without compliance to the mandatory QCOs, shall be subjected to the following conditions:

(i) for Advance Authorization:

- a) Pre-import condition. Inputs shall be utilized in manufacturing of export product (making normal allowance for wastage) & shall be exported under same authorization. Unutilized imports not to be transferred to DTA - shall be either destroyed

or re-exported (liable to payment of effective duty + Int to customs & specified composition fee to DGFT)

b) Said Exemption shall be specifically endorsed in the advance authorization, upon the request of Authorizⁿ holder.

c) Allowed for physical exports (Not Deemed Exports)

d) Not allowed for DFIA Scheme.

(ii) For EOU and SEZ:

- No DTA clearance allowed. Use inputs only for export production.

- Undertaking to be submitted at the time of importation.

- Allowed for physical exports (Not Deemed Exports)

* Consultation with Stakeholders:

Cg may seek views/suggestion/comments/feedback from relevant stakeholders including importers/exporters/industry experts with regard to formulation, incorporation of specific provisions or amendments in FTP, and to the extent possible, 30 DAYS time may be provided to relevant stakeholders for such submission. However Cg reserves right to suo moto formulate, amend or incorporate any specific provisions, without seeking views from stakeholders.

Cg may provide reasons to relevant stakeholders for not considering their views, if it deems reasonable to do so. However, no legal right shall be conferred on any person to seek reasons for his views not being incorporated.

CG is not obliged or mandated to disclose reasons for not incorporating views etc., that

- (i) has the potential to or will adversely affect trade relations with any foreign country.
- (ii) would adversely affect food, economic or national security of India;
- (iii) is in conflict with any government policies, strategic programs, international obligations or commitments or long-term plans and would undermine the objectives of such policies or programs;
- (iv) addresses matters unrelated to trade or serve narrow, private or special interests to the detriment of or contrary to the broader public interest, good; or
- (v) would require the disclosure of confidential or classified information

*** Other Provisions :-**

However, Can be imported on applicable custom Duties

- Gift
 - Import - Prohibited except life saving medicine or Rakhi (Not gifts relating to Rakhi)
 - Export - Permitted upto ₹ 5,00,000 in a licencing year

- Samples
 - Import
 - Upto ₹ 300,000 allowed duty free (For vegetable seeds, new drugs, bees, defence items - authorisation required)
 - "Tea" upto ₹ 2000 CIF without authorizⁿ.
 - Export - Allowed Duty free

- Removal of Scrap/waste from SEZ units: Allowed to be disposed off freely in DTA on payment of duties.

Denied Entity List (DEL)

A firm may be placed under DEL, by the concerned Regional Authority (RA) of the DGFT. In such a case:

- (i) firm may be refused grant or renewal of a licence/authorization/certificate/scrip/any instrument bestowing financial/fiscal benefits, and
- (ii) all new licences, authorisations, scrips, certificates, instruments, etc. will be blocked from printing/ issue/

renewal.

A firm's name can be removed from DEL, by the concerned RA for reasons if the firm completes Export Obligation/ pays penalty/ fulfils requirement of demand notice(s) issued by the RA/ submits documents required by the RA.

• Second Hand Goods :-

Used IT Assets (Laptop, Desktop, Monitor, Printer) imported from SEZ to DTA.

