

FEDERATION OF INDIAN EXPORT ORGANISATIONS

ANNUAL SUPPLEMENT 2010-11 TO THE FTP 2009-2014

The Annual Supplement 2010-11 to the Foreign Trade Policy (FTP) was announced by the Hon'ble Commerce & Industry Minister Mr. Anand Sharma in New Delhi on 23rd August, 2010. Mr. Jyothiraditya Madhavrao Scindia, Minister of State for Commerce; Dr. Rahul Khullar, Commerce Secretary, Ministry of Commerce & Industry, Mr. P.K. Chaudhary, DGFT and other dignitaries were present on the occasion.

In the Annual Supplement, the Hon'ble Minister has considered various suggestions FIEO had submitted earlier. Major suggestions considered are:

- Extension and expansion of Zero Duty EPCG Scheme
- Introduction of Annual EPCG Authorization
- Continuation of DEPB Scheme
- Inclusion of more products under FPS
- Extension and Expansion of SHIS Scheme
- Exemption of Anti-Dumping Duty under Annual Advance Authorisation
- Utilization of Duty Credit Scrip under SFIS for payment of duty on import of Vehicles in the nature of professional equipment

Highlights of the Annual Supplement are as under:

- Additional benefit of 2% bonus, allowed for about 135 existing products, which have suffered due to recession in exports. Major sectors include all Handicrafts items, Silk Carpets, Toys and Sports Goods (all of which were earlier eligible for 5% benefits); Leather Products and Leather Footwear, Handloom Products and Engineering Items including Bicycle parts and Grinding Media Balls (all of which were earlier eligible for 2% benefit).
- 256 new products have been added under FPS (at 8 digit level), for Duty Credit benefits @ 2% of FOB value of exports to all markets. Major Sectors / Product Groups are Engineering, Electronics, Rubber & Rubber Products, Other Oil Meals, Finished Leather, Packaged Coconut Water and Coconut Shell worked items.
- Instant Tea and CSNL Cardinol included for benefits under VKGUY @ 5% of FOB value of exports.
- Nearly 300 products (at 8 digit level) from the readymade garment sector have been incentivized under MLFPS for further 6 months from October, 2010 to march, 2011 for exports to 27 EU countries.

- Zero duty EPCG scheme, has been extended by one more year till 31.3.2012. In addition, to give a boost to technological up-gradation for additional sectors as well, the benefit of the scheme has been expanded to cover paper & paperboard and articles thereof, ceramic products, refractories, glass & glassware, rubber & articles thereof, Plywood and allied products, marine products, sports goods and toys and additional engineering products.
- Additional Towns of Export Excellence (TEEs) have been announced viz. Barmer (Rajasthan) for Handicrafts; Bhiwandi (Maharashtra) for Textiles; and Agra (Uttar Pradesh) for Leather Products.
- 1% Status Holder Incentive Scheme (SHIS) has been extended upto 2011-12 exports. In addition, the benefit of the scheme has been expanded to cover chemical & Allied products, paper, paperboard and articles thereof, ceramic products, refractories, glass & glassware, rubber & articles thereof, plywood and allied products, electronics products, sports goods and toys and additional engineering products.
- Additional flexibility has been provided for transferability of Duty Credit Scrips being issued to Status Holders under paragraph 3.13.4 of FTP under VKGUY scheme by allowing transfer of scrip for import of cold chain equipments to unit(s) in the Food Park.
- Duty Entitlement Passbook (DEPB) scheme has been extended beyond 31.12.2010 till 30.06.2011.
- Interest subvention of 2% has now been extended to a number of additional products pertaining to sectors like Engineering, leather, textiles, Jute.
- Advance Authorization for Annual Requirement shall also be exempted from payment of anti-dumping & Safeguard duty in line with the underlying principle that goods and services should be exported and not the taxes and levies.
- Exporters shall now have the flexibility to get a high value EPCG authorisation by filing their EPCG application on Annual basis, without the need to file the application for individual capital goods from time to time. It will reduce transaction time and cost.
- Exporters shall now have the flexibility to Club Advance authorisation with Advance Authorisation for Annual Requirement for the purpose of account closure.

- To impart flexibility to exporters and to facilitate smooth clearance of consignments, a Single customs notification for the two variants of Advance Authorization scheme namely advance authorisation for physical exports & deemed exports shall be issued. It will also eliminate the ambiguity in clubbing of such exports.
- Adhoc Norms ratified under Advance Authorisation scheme shall henceforth apply to all cases for the same export product upto one year not only prospectively but also retrospectively.
- Clarification on the availability of 4% SAD refund benefit, as given by DOR in terms of customs Notification No. 102/2007, only to trader importers, to be also extended to manufacturers, who sell the imported items like traders.
- Chartered Engineer Certificate for Advance Authorisation on self declared basis, has been dispensed with. This will reduce documentation and the transaction cost.
- To remove redundancy of repeated submissions of RCMC, an 'e-RCMC' initiative has been commenced. Under this, the Export Promotion Councils would upload the RCMC data of their members on DGFT's website only once, thus reducing the procedural burden of repeated submissions and associated cost and time.
- Facility of a data preparation module for Advance Authorization and Export Promotion Capital Good (EPCG) has been provided on an offline mode, which would reduce the need of continuous online interaction for long and address the connectivity and server response issues significantly.
- In order to provide wider choice to the users and enlarge access for online filing, additional licenced certifying authorities for digital signatures and banks for electronic fund transfer (EFT) operations have been included in the gamut of EDI operations.
- The online message exchange for Annual Advance Authorization and Duty Free Import Authorization (DFIA) shall also be made operational with Customs w.e.f. 1.12.2010.
- Leather sector shall be allowed re-export of unsold imported raw hides and skins and semi-finished leather from Public bonded warehouses, without payment of any export duty. This will facilitate the logistics for establishment of such warehouses and easy access to raw material for the leather sector.
- Finished Leather export shall be entitled for Duty Credit Scrip @ 2% under FPS.

- Duty free import of specified trimmings, embellishments etc. shall be available on Handloom made-ups exports @ 5% of FOB value of exports.
- Additional 2% bonus benefits over and above the existing benefits under Focus Product Scheme would significantly benefit the Handloom Sector.
- Duty free import of specified trimmings, embellishment etc. shall be available @ 3% on exports of polyester made-ups in line with the facility available to sectors like Textiles & Leather. It will promote export of products such as micro cloth, which has become popular in home textiles.
- Readymade Garment sector granted enhanced support under MLFPS for a period of further 6 months from October, 2010 to March, 2011 for exports to 27 EU countries.
- The list of items allowed for duty free import by Gems & Jewellery sector has been expanded by Inclusion of additional items such as *Tags and labels, Security censor on card, Staple wire, Poly bag*. This will reduce the cost of the product to some extent.
- The facility of duty free import of tools under Duty Free Import scrips for Handicraft sector shall be made operational.
- Scrips issued under Served From India Scheme (SFIS) can now be used for payment of duty on import of Vehicles, which are in the nature of professional equipment.
- Oil Meals (Cotton, rape seed, groundnut), Castor Oil derivatives, Packed Coconut Water and Coconut Shell worked items shall be entitled for benefits @ 2% of FOB value of exports to all markets under FPS.
- Additional items of Engineering, namely, Pipes & Tubes, Electric Generating Sets, Cast Articles of Iron & Steel, Ferro Manganese and Ferro Silicon shall now be entitled for benefit @ 2% under FPS.
- A number of engineering items namely, Machine Tools, Compressors, Iron & Steel Structures including Transmission Towers and Scaffolding, LPG Cylinders, Ductile Tubes & Pipes shall now be entitled for benefits @ 2% of FOB value of exports to all markets under FPS instead of their exports to specific markets under MLFPS earlier.
- Telecom Equipments, Colour TVs, Audio Systems, Optical Media, Semi-conductors, Capacitors, Resistors, PCBs, LEDs, Conductors, Desktops and Notebooks shall now be entitled for benefits @ 2% of FOB value of exports to all markets under FPS instead of their exports to limited market under MLFPS earlier.