

Ref No: FTP 2017/Note 1

Date: 12.12.2017

**UPDATE ON FOREIGN TRADE POLICY (FTP) – 2015-20**  
**FOR ASSISTANCE OF EXPORTER / IMPORTER**

Commerce Minister Shri. Suresh Prabhu, announced the much awaited Mid Term Review of the Foreign Trade Policy (FTP) 2015-20 on 5<sup>th</sup> Dec 2017.

The Highlights and Important changes are given below:

**A. General Points:**

1. E-BRC system of DGFT will be linked to RBI developed a comprehensive IT-based system called Export Data Processing and Monitoring System (EDPMS) for monitoring of export of goods and software and facilitating AD banks to report various returns through a single platform.  
***[FTP Para 1.12(e)]***
2. An effective message sending system is in placed with various stake holders like Customs, Banks and EPCs. Now DGFT will also share the data with GSTN and RBI. ***[FTP Para 1.20(e)]***
3. Total of 19 Sea Ports and 17 Air Cargo Complexes are offering 24x7 Custom Clearance. No MOT charges are required to be collected in respect of the services provided by the Customs officers at 24x7 Custom Ports and Airports. ***[FTP Para 1.25]***
4. Provision for exemption of Service Tax on Service received abroad has been deleted. Service Tax is now part of GST and thus GST provisions will apply on the same. ***[FTP Para 1.32]***
5. The FTP acknowledges the aim of ease of doing business and promoting paperless clearance, CBEC has done away with routine print-outs of several documents including GAR 7 Forms/TR6 Challans, TP copy, Exchange Control copy of Bill of Entry and Shipping Bills and Export Promotion copy of Shipping Bill. **However, hard copy of EP copy of shipping Bill/ Bill of Entry may be provided on request only** ***[FTP Para 1.37]***
6. Consequent to India's ratification of the WTO Agreement on Trade Facilitation (TFA) in April 2016, the National Committee on Trade Facilitation (NCTF) has been constituted. The defined objective behind setting up the NCTF is to have national level body that will facilitate domestic co-ordination and implementation of TFA provisions. It will play the lead role in developing the Pan-India road map for trade facilitation. ***[FTP Para 1.38]***
7. Consequent to Implementation of GST, IEC will be equal to PAN (i.e 10 Digit Alpha Numeric No.) and will be separately issued by DGFT based on the application. ***[FTP Para 2.05(I)]***

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8. Details of Prohibition on Trade with the Islamic State in Iraq and the Levant [ISIL, also known as Daesh], Al Nusrah Front [ANF] and other individuals, groups, undertakings and entities associated with Al Qaida has been notified. **[FTP Para 2.16A]**
9. Direct or Indirect export and import of items whether or not originating from Democratic People's Republic of Korea (DPRK) to/from DPRK is prohibited and will be governed as per details in Appendix – I of FTP. **[FTP Para 2.17]**
10. Exemption / Remission on Service Tax when exported from DTA and units in EOU/EHTP /STP/BTP have been deleted. Service Tax is now part of GST and thus, provisions of GST will be applicable w.e.f 01.07.2017. **[FTP Para 2.40]**
11. Imported goods found defective after custom clearance may be re-exported back as per provisions of Customs Act, 1962. **[FTP Para 2.50(A)]**
12. Permanent IEC Numbers to be used by 13 Non –Commercial PSUs and Categories or Importers / Exporters which were earlier accorded a 10 Digit Numerical IEC No. has been amended to PAN based IEC No. (i.e 10 Digit Alpha Numerical Nos.) These are mainly for Govt. Agencies, Diplomatic Missions, UN Officials, Personal Use, etc... **[HBP Para 2.07(b)]**
13. Revalidation of Authorisation / Duty Credit Scrip is being allowed without charging any fees for **the period of delay or six months whichever is less** when delay is for following reasons:
  - a. If Authorisation/Scrip or any amendment thereof could not be transmitted to Customs Server within fifteen working days from the date of issue/amendment;
  - b. If Authorisation/Scrip rejected by Customs server with error Code;
  - c. If request for issue of waiver of Bond/EODC was not considered within the period specified under Para 9.10 of HBP, 2015-2020 where complete application was submitted within the validity of the Authorisation. **[HBP Para 2.20(d)]**
14. Maintenance of Records for every SCOMET Authorisation Holder for period of 5 year from date of export or import is notified. Details of documents to be maintained in electronic or manual format is been prescribed. **[HBP Para 2.73(c)]**
15. Provisions for Export Authorisation for “Stock and Sale” of SCOMET items and for Spare Parts of SCOMET Items is notified. **[HBP Para 2.79(A) & 2.79(B)]**
16. Supply of SCOMET items to Military Stores which are referred to as SCOMET Category 6 items, were allowed against No Objection Certificate (NOC) from Department of Defence Production. The same now shall be allowed against **an Authorisation** issued by Department of Defence Production. The Authorisation will be governed by Standard Operating Procedure (SOP). **[HBP Para 2.81]**

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17. Time line for Comments, views, No Objection from members of IMWG has been reduced to 30 Days from earlier 45 days. **[HBP Para 2.82]**

18. Free of cost exports for status holders is allowed with annual limit of Rs. 10 Lakhs or 2% of Average Annual Export realisation during preceding 3 Years whichever being lower.

**Now for Pharma Exports, the Annual limit would be 2% of Average Annual Export realisation during preceding 3 Years.**

**For Govt. Supplies, Supplies of vaccines and life saving drugs to health programmes of International Agencies such as UN and WHO-PAHO, the annual limit shall be upto 8% of average annual export realisation during preceding three licensing year.**

**Such Free of Cost supplies shall not be entitled to Duty Drawback or any other export incentive under any export promotion scheme.**

**[HBP Para 2.84]**

19. Procedure of Track and Trace System for export of drug formulations has been notified under the Handbook. Barcode as per GS1 Global Standards at different packaging levels are required to facilitate tracking and tracing of the product. **[HBP Para 2.90(A)]**

20. A Scheme of Self Certification for certifying the rules of Origin under GSP has been introduced by European Union (EU) w.e.f 01.01.2017. The Registered Exporter System (REX) will help exporter to self certify by a Statement of Origin of their goods being exporter to EU. The details of the scheme are at Annex 1 to Appendix 2C. **[FTP Para 2.62 & HBP Para 2.104(c)]**

21. Provisions for Application of Policy Interpretation to Policy Interpretation Committee (PRC) have been notified. **[HBP Para 2.110 & 2.111]**

22. All Provisions related to Board of Industrial and Financial Reconstruction (BIFR)/Rehabilitation Department have been deleted.

**B. Chapter 3 – Duty Credit Scrips**

23. MEIS incentive scrips were rewarded at 2%, 3% and 5%. A Broad increase of 2% in MEIS has been brought about. The increase has been made for exports made w.e.f 01.11.2017 to 30.06.2018 by way of addition of table no. 2 in Appendix 3B. For exact details, HSN wise product details must be verified.

**[Public Notice 44/2015-20 Dated 05.12.2017]**

24. Pre – GST Regime Chapter 3 Scrips were allowed to be use for Payment of Customs Duties (BCD), Central Excise Duties, and Service Tax. However, effective of introduction of GST, Chapter 3 Scrips can only be used for

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- a. Payment of Basic Customs Duty and Additional Customs Duty specified under sections 3 (1), 3 (3) and 3 (5) of the Customs Tariff Act, 1975 for import of inputs or goods, including capital goods, as per DoR Notification, except items listed in Appendix 3A.
  - b. Payment of Central excise duties on domestic procurement of inputs or goods, (For Non GST Products only)
  - c. Payment of Basic Customs Duty and Additional Customs Duty specified under Sections 3 (1), 3 (3) and 3 (5) of the Customs Tariff Act, 1975 and fee as per paragraph 3.18 of this Policy.

**[FTP Para 3.02]**
25. Ineligible categories for MEIS have been reduced from 20 to only 7. However, MEIS is granted as per 8 digit ITC (HS) with matching of description. Over 8, 000 odd line items have been included in the MEIS benefit.

**[FTP Para 3.04 & 3.06]**
26. The Policy has specifically notified that RA will not ask for Physical Documents namely: EDI shipping bills, Electronic Bank Realisation Certificate (e-BRC) and RCMC except for cases which are under HBP 3.01(h).

**[FTP Para 3.01(c)]**
27. Details of Jurisdiction for Application of MEIS and SEIS have been notified based on various categories of Exporter. This will assist the exporter to confusion of submission.

**[FTP Para 3.06 (b) & (c)]**
28. As notified earlier vide P.N.33/2015 Dt. 23.10.2015, Scrips under Chapter 3 will be valid for period of **24 Months from the date of issue**. The Scrip must be valid on the date of actual debit of duty is made.

**[FTP Para 3.13]**
29. Regarding procedure of Declaration of Intent on EDI and Non-EDI shipping bills for claiming reward under MEIS had gone changes at various time periods. It is now notified that:
- a. EDI Shipping Bills: Marking/ ticking of “Y” (for Yes) in “Reward” column of shipping bills against each item, **which is mandatory**, would be sufficient to declare intent to claim rewards under the scheme. In case the exporter does not intend to claim the benefit of reward under Chapter 3 of FTP exporter shall tick “N’ (for No). Such marking/ticking shall be required even for export shipments under any of the schemes of Chapter 4 (including drawback), Chapter 5 or Chapter 6 of FTP
  - b. Non-EDI Shipping Bills: In the case of non-EDI Shipping Bills, Export shipments would need the following declaration on the Shipping Bills in order to be eligible for claiming rewards under MEIS: “We intend to claim rewards under Merchandise Exports from India Scheme (MEIS)”. Such declaration shall be required even for export shipments under any of the schemes of Chapter 4 (including drawback), Chapter 5 or Chapter 6 of FTP.

**[FTP Para 3.14(a)]**

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30. SEIS was applicable for export of services made between 01.04.2015 to 31.03.2017 only as per Note 1 of Appendix 3D. The said note is amended to read that rates as per Public notice will be applicable to exports between 01.04.2017 to 31.03.2018. An increase in 2% across the board is also been made for the benefit under SEIS. **[Public Notice 45/2015-20 Dated 05.12.2017]**
31. Transfer of Duty Credit Scrips under HSN 4907 attracts “NIL” GST Rate as notified under GST Rules. **[IGST Notification No. 36/2017 – Integrated Tax(Rate) Dt. 13.10.2017]**

**C. Chapter 4 – Advance Authorisation / DFIA**

32. Two more categories have been added to Advance Authorisation is issued for inputs in relation to resultant product, they are:
- (iii) Applicant specific prior fixation of norm by the Norms Committee.
  - (iv) On the basis of Self Ratification Scheme in terms of Para 4.07A of Foreign Trade Policy.
33. Scheme for Special Advance Authorisation for export of Articles of Apparel and Clothing Accessories has been notified in the policy. **[FTP Para 4.04A]**
34. Advance Authorisation under Self Ratification Scheme currently only for Authorised Economic Operators (AEOs) has been notified. **[FTP Para 4.07A]**
35. Imports under Advance Authorisation are exempted from payment of Basic Customs Duty, Additional Customs Duty, Education Cess, Anti-dumping Duty, Countervailing Duty, Safeguard Duty, Transition Product Specific Safeguard Duty, wherever applicable. However, imports under Advance Authorisation for **physical exports** are also exempt from whole of the integrated tax and Compensation Cess leviable under sub-section (7) and sub-section (9) respectively, of section 3 of the Customs Tariff Act, 1975 (51 of 1975), as may be provided in the notification issued by Department of Revenue, and **such imports shall be subject to pre-import condition**. Imports against Advance Authorizations for physical exports are exempted from Integrated Tax and Compensation Cess **upto 31.03.2018 only**. **[FTP Para 4.14]**
36. Validity of Import Authorisation will be as per Handbook of Procedures. It continues to remain at 12 Months from the date of Issue of authorisation. RA may consider grant of One Revalidation for Six Months from expiry date. **[FTP Para 4.17, HBP Para 4.41,]**
37. DFIA holder will not be eligible for Advance Release Order / Invalidation Facility. **[FTP Para 4.20(vi)]**
38. Export Obligation under Advance Authorisation will be as Handbook of Procedures. Export Obligation Period as well remains same to 18 Months from date of issue of Authorisation. Export Obligation for items falling in categories of defense, military store, aerospace and nuclear energy shall be 24 Months. **[FTP Para 4.22 & HBP Para 4.42 ]**

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39. DFIA will not be available for Import of **Raw Sugar**. **[FTP Para 4.25(c)]**
40. HRD Diamond Institute Pvt. Ltd, Maharashtra India and International Gemological Institute (India) Pvt. Ltd, BKC, Mumbai has been added along with existing 3 agencies as agencies permitted to import diamonds to their laboratories without any import duty, for the purpose of certification/grading reports with a condition that the same shall be re-exported with the certification/grading report as per the procedure laid down in Handbook of Procedures. **[FTP Para 4.42]**
41. Subsequent to GST Regime, Jurisdictional Central Excise officer has been changed to Jurisdictional Customs Authority for intimation and endorsement of duty free inputs from one unit to another or to job worker. **[HBP Para 4.10]**
42. The auto time limit of 4 months from the application date to Norms Committee for acceptance of the fixation of Adhoc Norms has been deleted. **[HBP Para 4.16(i)]**
43. The Invalidation letter or ARO issued by DGFT will now have GSTIN details of the supplier along with address where input are required to be processed. **[HBP Para 4.30(d) & 4.32(c)]**
44. Details and procedure for Regularization of Bona fide default in the cases where Authorisation was issued for import of drugs from unregistered sources with pre import condition is been added in the Handbook. **[HBP Para 4.49(g)]**

**D. Chapter -5 Export Promotions Capital Goods Scheme (EPCG)**

45. Calculation of Annual Average Export Obligation under EPCG scheme has been notified in Appendix 5E. **[Public Notice 47 Dt. 6<sup>th</sup> Dec 2017 – FTP Para 5.04 (b)]**
46. List of Capital Goods not Permitted or Permitted for Import with Specific Conditions under EPCG Scheme are been separated notified in Appendix 5F. **[Public Notice 47 Dt. 6<sup>th</sup> Dec 2017 – FTP Para 5.01]**
47. Addition(s)/deletion(s) of import or export items under EPCG will be allowed subject to submission of fresh Nexus Certificate by an Independent Chartered Engineer and giving justification for seeking such amendments. **[HBP Para 5.03(c) & (d)]**
48. Jurisdiction Custom Authority replaces Jurisdiction Excise Authority in view GST Regime. **[HBP Para 5.04(a)]**
49. Provision for RA to condone 5% shortfall in specific export obligation has been deleted. **[HBP Para 5.21]**

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**E. Chapter 6 – EOUs.**

50. The procurement of goods covered under GST from DTA would be on payment of applicable GST and compensation cess. The refund of GST paid on such supply from DTA to EOU would be available to the supplier subject to such conditions and documentations as specified under GST rules and notifications issued there under. **[FTP Para 6.01(d)(iii)]**

51. Applications for conversion into an EOU / EHTP / STP / BTP unit from existing DTA units, having an investment of Rs. 50 crores and above in plant and machinery or exporting Rs. 50 crores and above annually, shall be placed before BOA for a decision. **[FTP Para 6.19(c)]**

**F. Chapter 7 - Deemed Exports**

52. **“Deemed Exports” for the purpose of this FTP** refer to those transactions in which goods supplied do not leave country, and payment for such supplies is received either in Indian rupees or in free foreign exchange. Supply of goods as specified in Paragraph 7.02 below shall be regarded as “Deemed Exports” provided goods are manufactured in India

**“Deemed Exports” for the purpose of GST** would include only the supplies notified under Section 147 of the CGST/SGST Act, on the recommendations of the GST Council. The benefits of GST and conditions applicable for such benefits would be as specified by the GST Council and as per relevant rules and notification.

**[FTP Para 7.01 & Notification 48/2017 – Central Tax Dt. 18.10.2017 ]**

53. Benefits to Supplier / Recipient under FTP For Deemed Exports **[FTP Para 7.04]**

Categories of supplies as per Para 7.02	Benefits on supplies, as given in Para 7.03 above, whichever is applicable.		
	Para 7.03 (a) Advance Authorisation	Para 7.03 (b) Duty Drawback	Para 7.03 (c) Terminal Excise Duty
(a)	Yes (for intermediate supplies against an invalidation letter)	Yes (against ARO)	Yes
(b)	Yes	Yes	Yes
(c)	Yes	Yes	NA
(d)	deleted	deleted	deleted
(e)	Yes	Yes	NA
(f)	Yes	Yes	Yes, only for para 7.08(iii)(a)
(g)	Yes	Yes	NA
(h)	Yes	Yes	NA

54. Deemed exports benefits contained in FTP 2015-20 shall be available for supplies effected till 30.06.2017 in terms of FTP 2015-20 provisions as it stood till 30.06.2017. In respect of supply made after 30.6.2017, new provision shall apply. **[FTP Para 7.12]**

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**G. Chapter 9 – Definitions and Miscellaneous Provisions.**

55. Following Definitions have been added to the FTP

- a. **“e – commerce”** for the purpose of Merchandise Exports from India Scheme (MEIS) under Foreign Trade Policy (2015-20) (FTP) shall mean the export of goods hosted on a website accessible through the internet to a purchaser. While the dispatch of goods shall be made through courier or postal mode, as specified under the MEIS, the payment for goods purchased on ecommerce platform shall be done through international credit /debit cards and as per the Reserve Bank of India Circular (RBI/2015-16/185) [A.P.( DIR Series) Circular No. 16 dated September 24, 2015.] as amended from time to time. **[FTP Para 9.17A]**
- b. **“Project Exports”** refers to export of engineering goods on deferred payment terms and execution of turnkey projects and civil construction contracts abroad collectively.

Project Exports would encompass (i) Civil construction contracts; (ii) Turnkey Engineering contracts including supply of Capital Goods on deferred payment terms; (iii) Process and Engineering Consultancy Services; and (iv) Project Construction items (excluding Steel and Cement). **[FTP Para 9.42A]**

56. **Contact@DGFT** service Complaint Resolution has been activated on DGFT website with an aim to provide single window contact for all the issues for exporters and importers with respect to foreign trade related issues.

Exporters can raise they query on the DGFT Website under this option and can tack the status of the query through the assigned reference number.

57. Three New Divisions Namely: Logistics Division, Service Division and State-of-Art Trade Analytics division are being set up.

**The Logistics Division** will aim to develop and co-ordinate implementation of action plan for integrated development of logistic sector.

**The Service Division** will examine EXIM policies and procedures from the point of view of “Services”

**The Analytics Division** will provide DGFT trade information from various national and international data bases to identify specific actions to address export interest in various markets and products.



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