

A Guide to Exports

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WHY EXPORT?



- ❑ Trade is based on *Comparative Advantage* where all countries mutually gain.
- ❑ Trade also strengthens political, social and cultural ties between the countries.
- ❑ With WTO agreements ,the whole world is available to you as your market, Why not reach out to different corners and maximize your potential?

WHY EXPORT?

- ❑ Export to expand and generate more capital
- ❑ The world has different seasons at the same moment.
Export to stabilize production for season-based products e.g. textiles etc.
- ❑ Maximize your production capacity
- ❑ Find new foreign markets to hedge risks

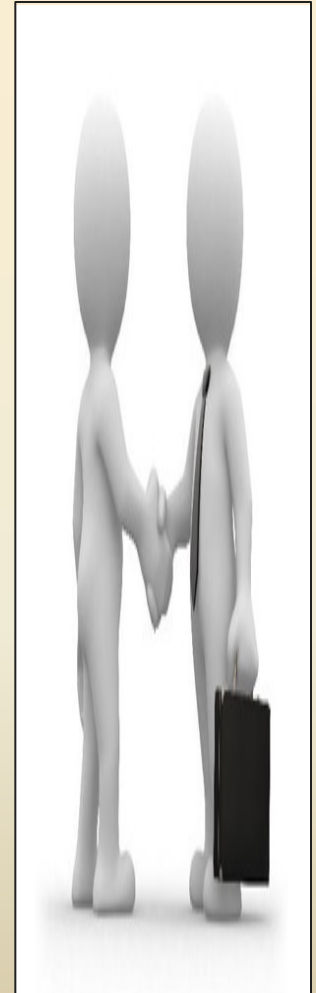
WHY EXPORT?



- ❑ Heard of brand *Reliance*? It started as an Export-Import business back in 1960's.
- ❑ Why wait? The next big enterprise can be yours!!
- ❑ Pure merit and productivity will make you globally competitive
- ❑ You can test your strength only when you export!

YOUR FIRST CONTACT POINT FOR EXPORTS

- The Directorate General of Foreign Trade (DGFT) with its four zonal offices Mumbai, Delhi, Chennai and Kolkata along with 35 other offices are your first point of contact when you want to export.
- The DGFT gives a number of export benefits which are elaborated in slides 104 to 139 here
- The list of offices is available at www.dgft.gov.in in the “About us” section



WTO AGREEMENTS YOU SHOULD KNOW

- ❑ In 1995, India signed the Marrakesh Agreement (WTO Agreement) to legally bind itself to trade with other countries on principles of:
 - Most Favored Nation (MFN)
 - National Treatment
 - Respect for other country's technical and sanitary & phyto-sanitary (SPS) standards
 - Special and Preferential Treatment to Developing Countries



For further details, kindly visit www.wto.org

PRINCIPLE OF EXPORTS

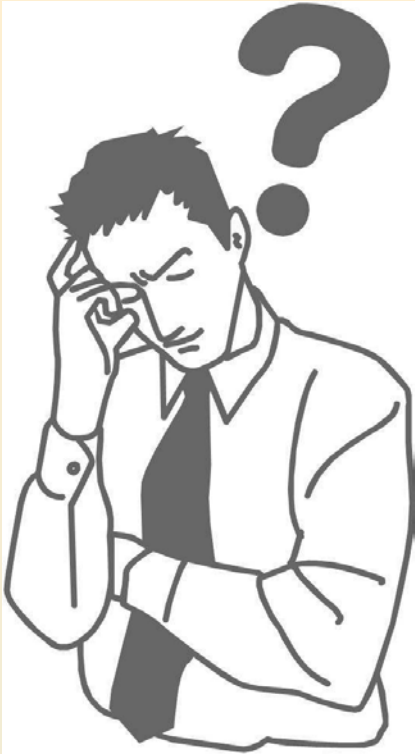
Taxes, duties and charges cannot be exported, so you can avail refunds/reimbursements on duties and taxes paid if you export.



WHO CAN EXPORT?

Anyone

Yes, you too can!



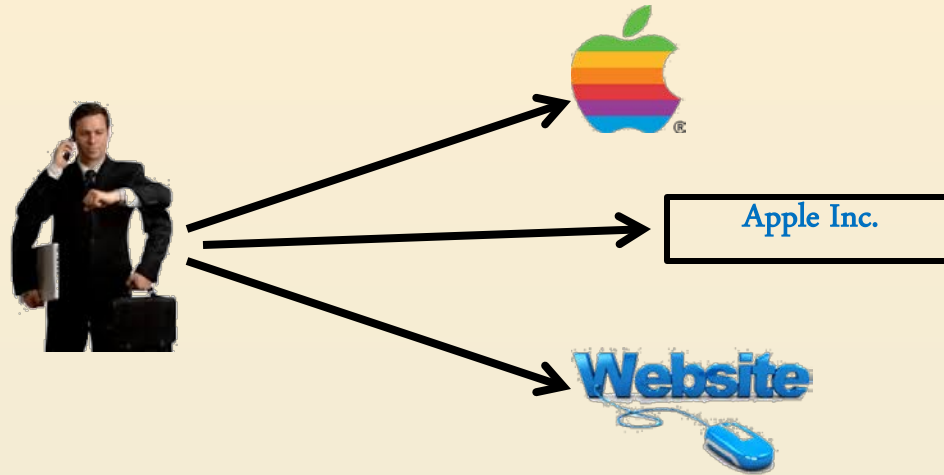
So why not start exploring it further?

TYPE OF EXPORTERS

- ❑ **Merchant exporter** : Merchant exporter does not have own manufacturing unit or processing factory.
- ❑ **Manufacturer exporter**: The manufacturer exporter procures and processes raw materials at his factory and exports finished products.
- ❑ **Service Exporter**: A service exporter is one who export services like Software, HealthCare, Consultancy, Hotels etc.



STARTING EXPORTS



- ☐ Name your company
- ☐ Create a company Logo
- ☐ Create a website

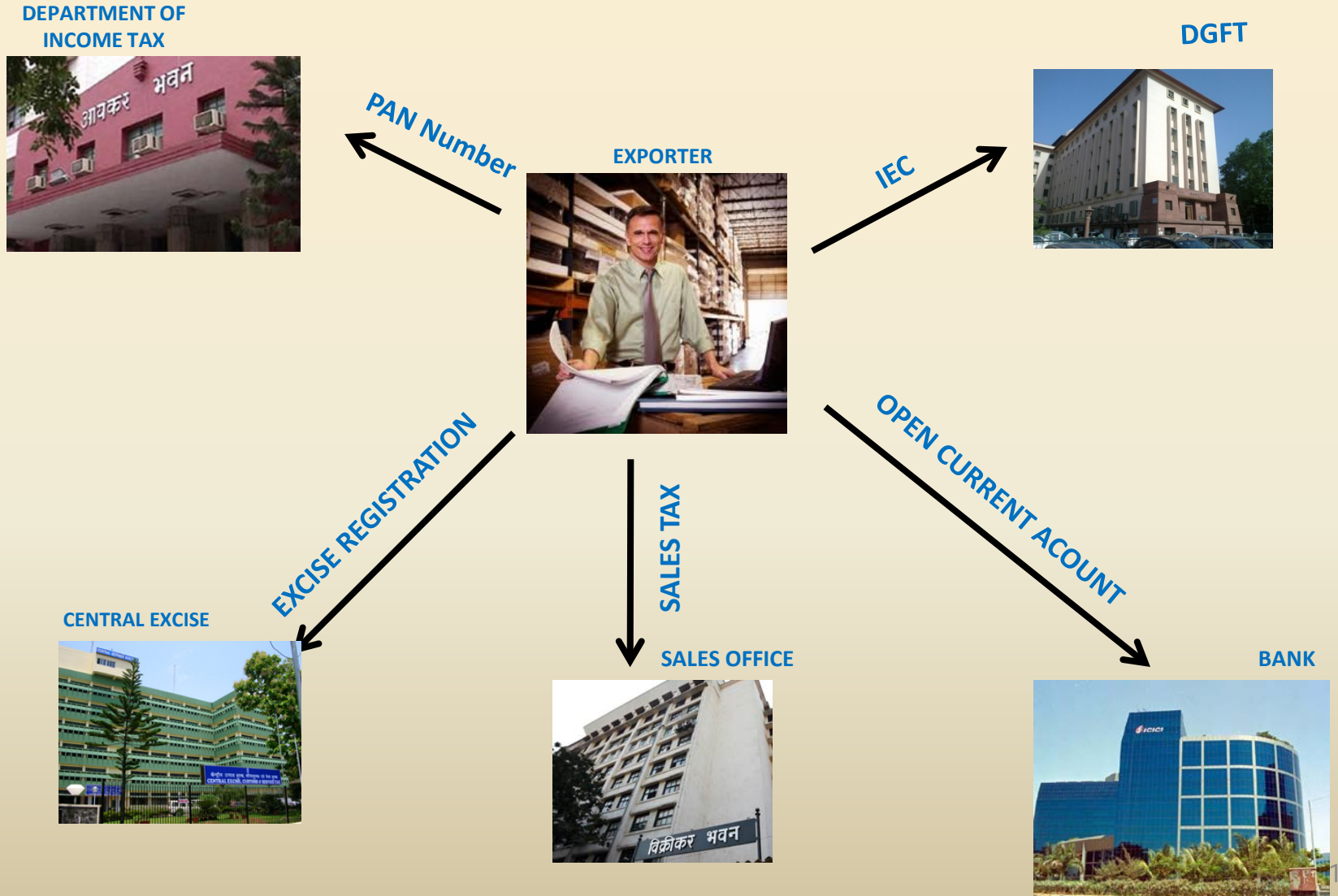
YOUR FIRM CAN BE...

- ❑ **Proprietary Firm** - No registration required.
It is only one individual who runs the business.
- ❑ **Partnership Firm** - It is between 2 or more people.
It need not be registered with Registrar of Companies.
- ❑ **Public and Private Company** - Public company requires minimum 7 members and private company requires minimum 2.
It is to be registered under company's Act. Liability of members limited to the number of shares they hold .



Apply with Registrar of Companies to register your company.

ESTABLISHING AN EXPORT BUSINESS



WHAT TO EXPORT?

- ❑ Anything allowed
- ❑ Almost Everything is Allowed
- ❑ You can export goods and services
- ❑ Restricted and prohibited items are on the DGFT website
- ❑ There are some provisions in the Foreign Trade Policy (2009-2014) which allow the import of even restricted/ prohibited items subject to conditions

Policy	Status under special authorization	Examples
Prohibited Items	No export or import allowed	Ivory
Restricted Items	Imports Allowed with conditions	Some ores
	SCOMET items: Exports allowed but will be subject to permission as under schedule 2 of ITC (HS)	Nuclear Material
Exports through State Trading Enterprises	Direct Imports allowed against authorization but import through state trading enterprises	Urea

- ❑ The primary search unit for any product in the International trade is the ITC HS Code.

ITC HS CODES

- ❑ The International Trade Classification Harmonized System Code is like an identification badge of a good being traded in the world markets. It readily classifies the good under a 2 digit, 4 digit, 6 digit or more codes and helps in data entry, monitoring, regulation and eases the flow of trade information.

FIRST TWO DIGITS

IDENTIFY THE CHAPTER THE GOODS BELONG TO

NEXT TWO DIGITS

IDENTIFY GROUPINGS WITHIN THE CHAPTER

NEXT TWO DIGITS

MORE SPECIFIC CLASSIFICATION

EG.

0.9

-

COFFEE, TEA, MATE AND SPICES

09.02

-

TEA, WHETHER OR NOT FLAVOURED

09.02.10

-

GREEN TEA (NOT FERMENTED)

SPECIFICITY INCREASES WITH NUMBER OF DIGITS, WITH MOST DEVELOPED NATIONS USING 10 OR 12 DIGIT CODES NOW..e.g. EU

- ❑ Based on ITC(HS) Code, you can find which imports are prohibited or restricted.

CONTROLS ON IMPORTS

❑ Import controls:

- ✓ Less than 4% of India's Tariff Lines (at 8 digit level) are under import controls.
- ✓ Rest about 11,100 Lines are free for import.

❑ Presently:

- Prohibited items - 53 Lines
- Restricted items - 485 Lines
- STEs - 33 Lines



WHY THERE ARE IMPORT CONTROLS?

- ❑ Predominantly on account of: security, Public Health, Public Morals and environment grounds.
- ❑ Prohibited items include beef, beef tallow, products of wild animals and ivory and other wild life products.
- ❑ Restricted items include live animals, birds, vegetable planting material, psychotropic substances, special chemicals, unworked stones, arms and ammunition, aircraft, security printing paper, second hand consumer goods, certain categories of waste and scrap, satellite and communication equipment of certain frequency and products of wild life.
- ❑ Products under STE include foodgrains, coconut oil, certain petroleum products, fertilizers etc.

CONTROL ON EXPORTS

- ❑ Controls predominantly on account of security, public health, public morals, exhaustible resources and environment grounds.

✓	Prohibited items	59
✓	Restricted items	155
✓	Items reserved for STEs	15



- ❑ Restrictions fall under two Categories
 - ✓ General Trading Items : For these exports, you may approach Export Facilitation Committee at DGFT headquarters
 - ✓ The Dual Use Items (SCOMET - Special Chemicals, Organisms, Materials, Equipment and Technologies)- Special provisions for export of these items are as per under the WMD Act, 2005. e.g. Nuclear Material.

WHAT TO EXPORT?

- ❑ The wisdom of finding the right product for exports comes with research and experience
- ❑ There are some sites on the internet which provide reliable data on the export and import covering about 90% of all the traded products in the world trade
- ❑ These are:
 - www.intracen.org
 - <http://comtrade.un.org/>
 - <http://www.dgciskol.nic.in/index.asp> - India Specific Data
 - ICEGATE - Customs Tariff and news
 - Directorate General of Foreign Trade website
www.dgft.gov.in
- ❑ Most sites require a valid email id and other personal details at the time of registration before they allow access



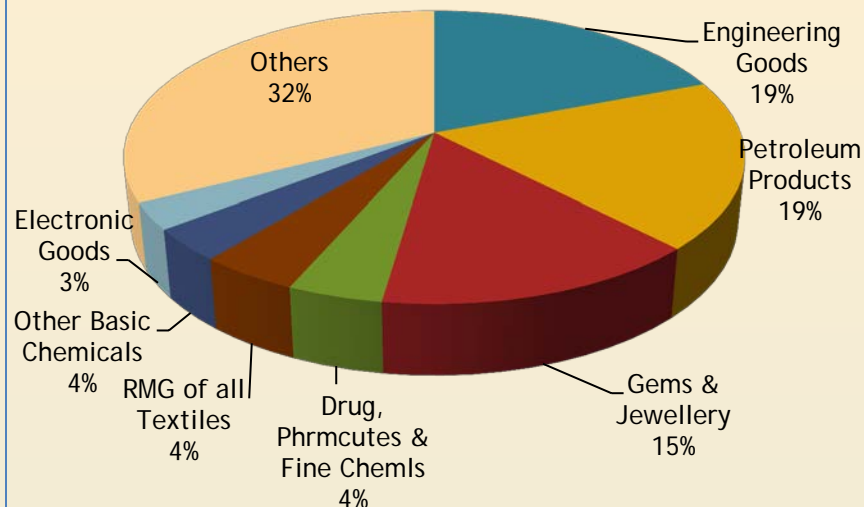
SELECTING THE EXPORT PRODUCT

- ❑ Data Mining on the export product is essential:
 - ✓ What is the size of the world market for a product?
 - ✓ What are the trends for that market - i.e. is the market growing and by how much?
 - ✓ With which countries does my country currently trade for certain products?
 - ✓ Are there opportunities to identify new or alternative markets?
 - ✓ What tariff barriers exist in a specific market for the identified product?
 - ✓ Which countries compete to supply to a specific market and to the world?

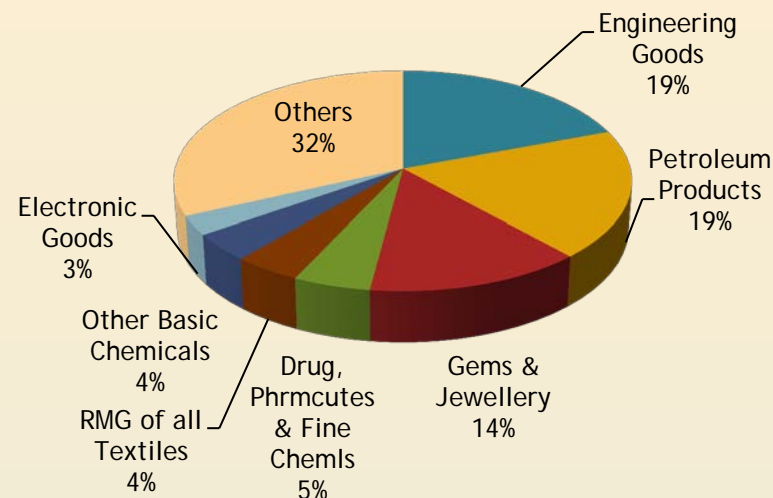


RECENT TRENDS IN EXPORTS : TOP 7 COMMODITY GROUPS US \$ Billion

Major Components of India's Export April-Jan 12

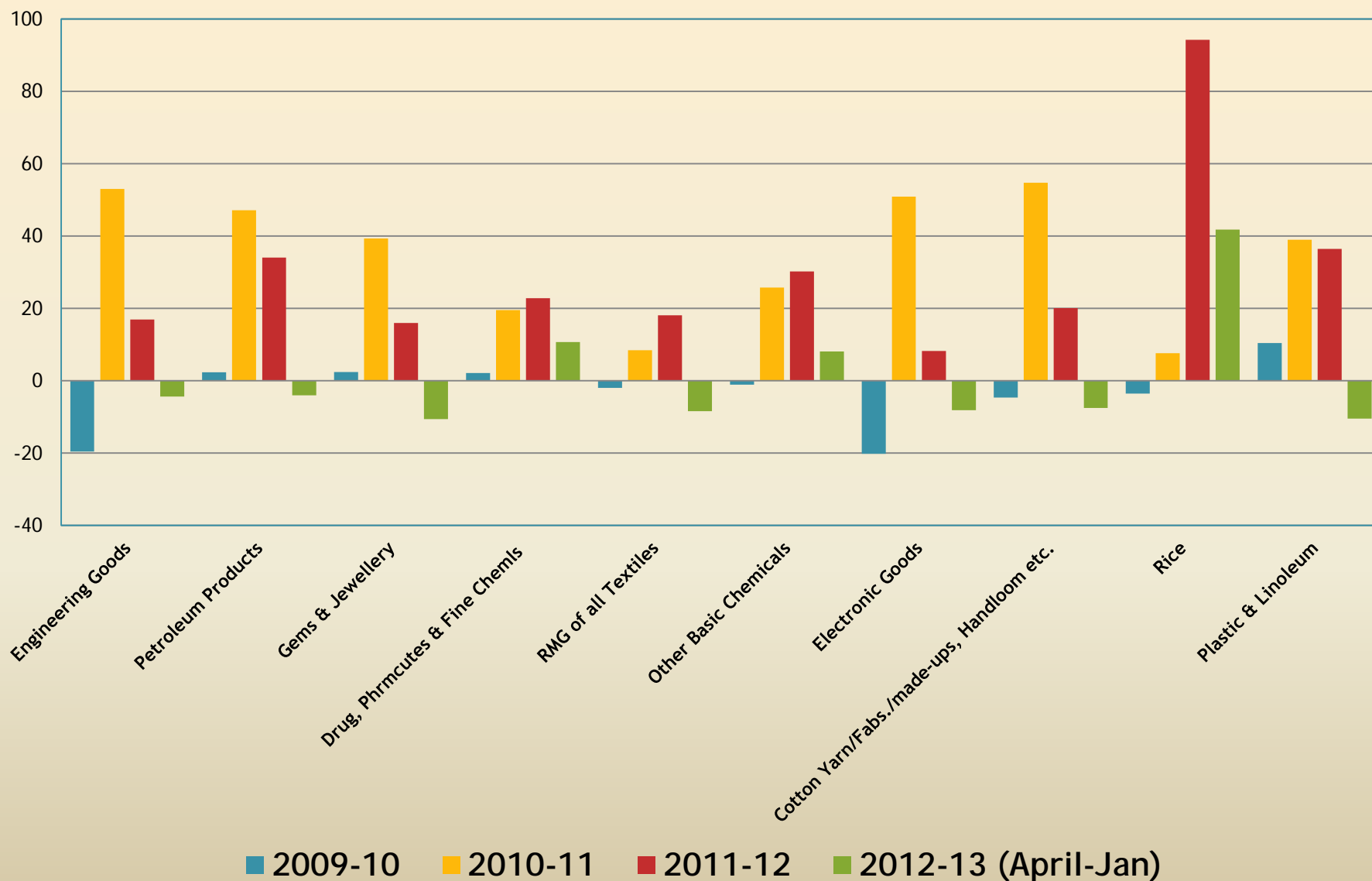


Major Components of India's Export April-Jan 13



	Commodities	Apr'11-Jan12	Apr'12- Jan 13	%age Growth
1	Engineering Goods	48.16	46.23	-4.03
2	Petroleum Products	46.83	45.41	-3.03
3	Gems & Jewellery	36.74	33.19	-9.66
4	Drug, Phrmcutes & Fine Chemls	10.72	11.83	10.36
5	RMG of all Textiles	11.18	10.29	-7.95
6	Other Basic Chemicals	8.99	9.71	8.08
7	Electronic Goods	7.39	6.76	-8.55
	Others	81.91	76.26	-6.90
	Total	251.93	239.69	-4.86

GROWTH RATE OF TOP 10 EXPORT COMMODITIES CONTRIBUTING 75% SHARE OF EXPORTS IN 2012-13



SELECTING YOUR DESTINATION COUNTRY

- ❑ Data Mining on country of export destination would include:
 - ✓ What customs tariffs do your products face around the world?
 - ✓ What rules of origin do you need to comply with in order to qualify for a preferential tariff rate?
 - ✓ Where are the opportunities for market diversification?
 - ✓ Which countries offer your product the most favorable market access conditions?
 - ✓ Which are the non-tariff measures (NTMs) that would impact your exports?
 - ✓ Are there preferential markets/FTAs which could facilitate your exports?



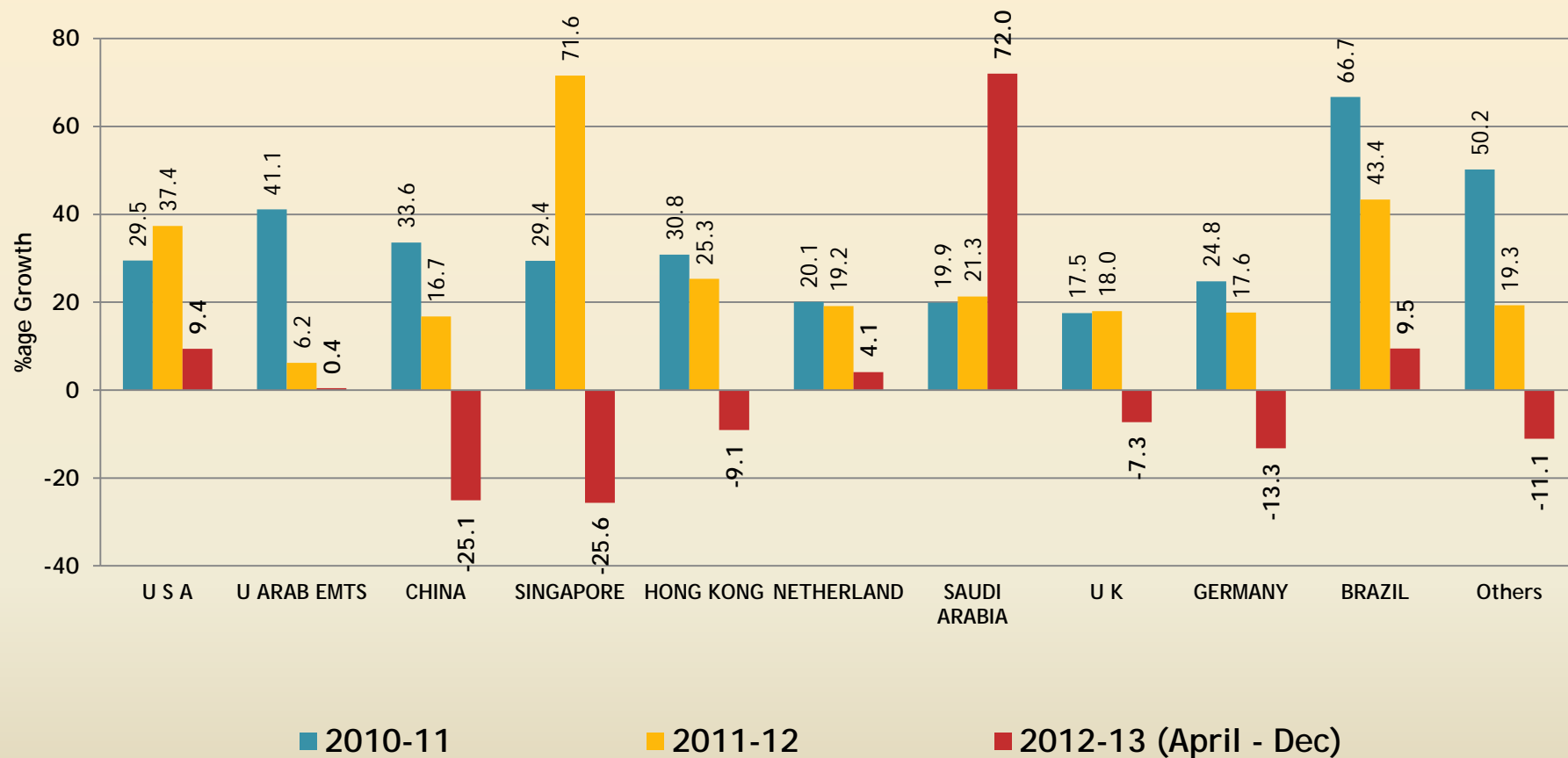
STEPS FOR FINDING A MARKET



Which is the right market???

- ☐ Finding your absolute and comparative advantages
- ☐ Do a need analysis of the market and its unmet demand
- ☐ Do you know a reliable importer/ individual/ agent in the destination country?

TRENDS: PERCENTAGE GROWTH OF EXPORTS TO TOP 10 COUNTRIES (COMPRISES 54% OF INDIA'S EXPORTS)



BUYER MANAGEMENT

- ☐ Identify potential buyer / customers
- ☐ Procure orders
- ☐ Agree upon crucial points of
 - ✓ Pricing
 - ✓ Freight charges
 - ✓ Payment Terms
- ☐ Sign the contract
- ☐ Manage production and supplies
- ☐ Resolve quality issues
- ☐ Delivery of goods and follow up
- ☐ Realization of Payment



INCO TERMS

- ❑ You have found a market and a buyer for a product.

What's next?

- ❑ You have to negotiate a Sales Contract with the buyer before any trade can happen.

- ❑ When you negotiate a Sales Contract with your buyer you come across terms like FOB, CIF etc. What are these terms?

INCO TERMS

- ❑ Inco terms is an abbreviation for International Commercial Terms.
- ✓ They have specific internationally accepted legal connotation which must be respected by all sellers and buyers for the delivery of goods under sales contracts for domestic and international trade.
- ✓ They are published by the International Chamber of Commerce (ICC) and are widely used in international commercial transactions. The first Incoterms were issued in 1936. The most recent version of Incoterms, Incoterms 2010, were launched in September 2010 and became effective January 1, 2011.

WHAT ARE INCOTERMS USED FOR?

- ❑ Incoterms defines divisions of tasks, responsibilities, costs and risks involved into delivering goods from seller to buyer
- ❑ They demarcate the responsibilities associated with the delivery of goods between buyers and sellers including responsibilities regarding transportation costs, insurance etc.
- ❑ Incoterms significantly reduce misunderstandings among traders and thereby minimize trade disputes and litigation.



INCO TERMS- CATEGORIES

Group 1. Incoterms that apply to any mode of transport are:

- ☐ EXW Ex Works
- ☐ FCA Free Carrier
- ☐ CPT Carriage Paid To
- ☐ CIP Carriage and Insurance Paid To
- ☐ DAT Delivered at Terminal
- ☐ DAP Delivered at Place
- ☐ DDP Delivered Duty Paid

Group 2. Incoterms that apply to sea and inland waterway transport only:

- ☐ FAS Free Alongside Ship
- ☐ FOB Free on Board
- ☐ CFR Cost and Freight
- ☐ CIF Cost, Insurance, and Freight

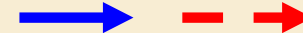
INCO TERMS- EXAMPLE 1

EXW

Ex Works ...(named place)

SELLER

BUYER



Seller/ Exporter Premises	Export Documents Formalities	Delivered at named place of: Frontier/ Terminal/ Quay	Loading Port of Shipment	Onboard Ship Rail Plane		Discharging Port of Arrival	Delivery at named place of destination: Frontier/ Terminal/Quay	Import Documents Formalities	Buyer/ Importer Premises
Seller's Risks							Buyer's Risks		
Seller's Cost							Buyer's Cost		



INCO TERMS- EXAMPLE 2

FOB

Free On Board...(named port of shipment)

SELLER

BUYER



Seller/ Exporter Premises	Export Documents Formalities	Delivered at named place of: Frontier/ Terminal/ Quay	Loading Port of Shipment	Onboard Ship Rail Plane		Discharging Port of Arrival	Delivery at named place of destination: Frontier/ Terminal/Quay	Import Documents Formalities	Buyer/ Importer Premises
				Ship's Rail	Ship's Rail				
Seller's Risks									Buyer's Risks
Seller's Cost									Buyer's Cost



INCO TERMS- EXAMPLE 3

CIF

Cost, Insurance and Freight ...(named port of destination)

SELLER → BUYER

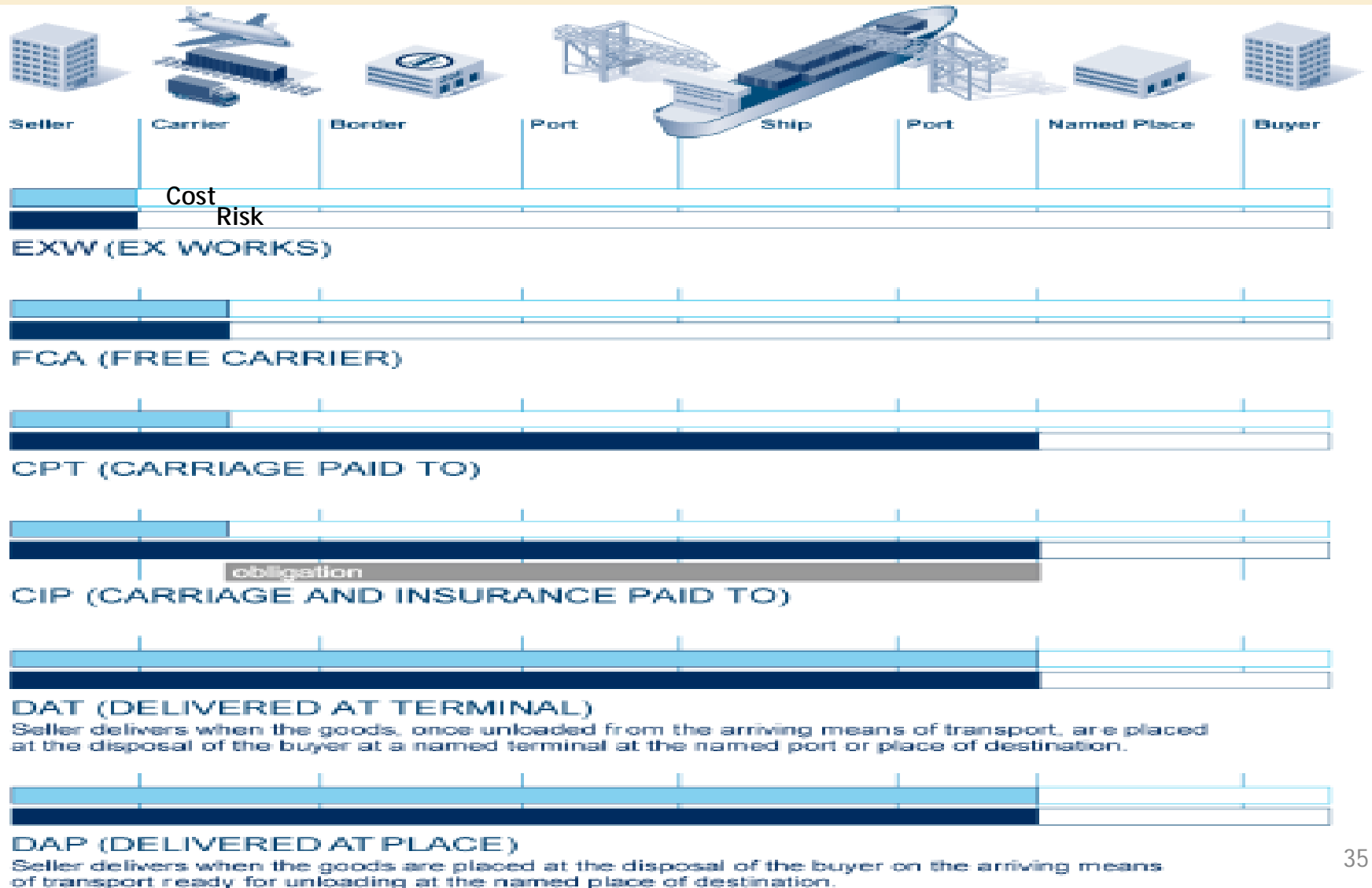
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				Ship's Rail	Ship's Rail				
Seller's Risks							Buyer's Risks		
Seller's Costs							Buyer's Cost		



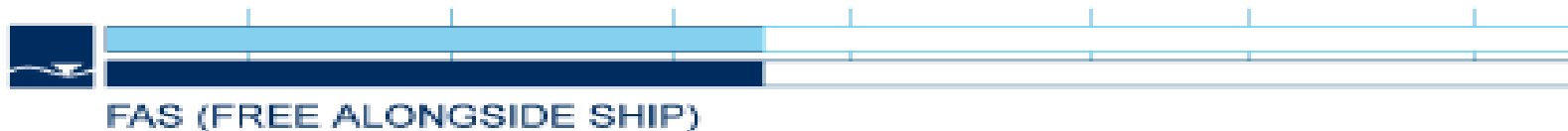
INCO TERMS- WHY TO KNOW?

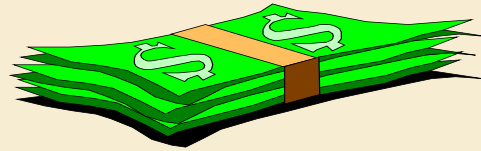
- ❑ Why you need to know about INCO Terms? Just think of some of the frightening scenarios below!
- ✓ You didn't understand the delivery term and you didn't deliver the goods to a destination from where buyer could arrange for subsequent transportation. Goods become stuck at some place and delivery is delayed due to your lack of knowledge of INCO terms.
- ✓ You have not taken up the insurance and left it for the buyer to insure goods. Goods are lost during transit. You bear the full risk!

INCO TERMS AT A GLANCE

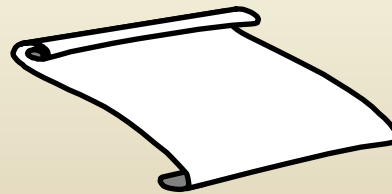


INCO TERMS AT A GLANCE.. CONTD.





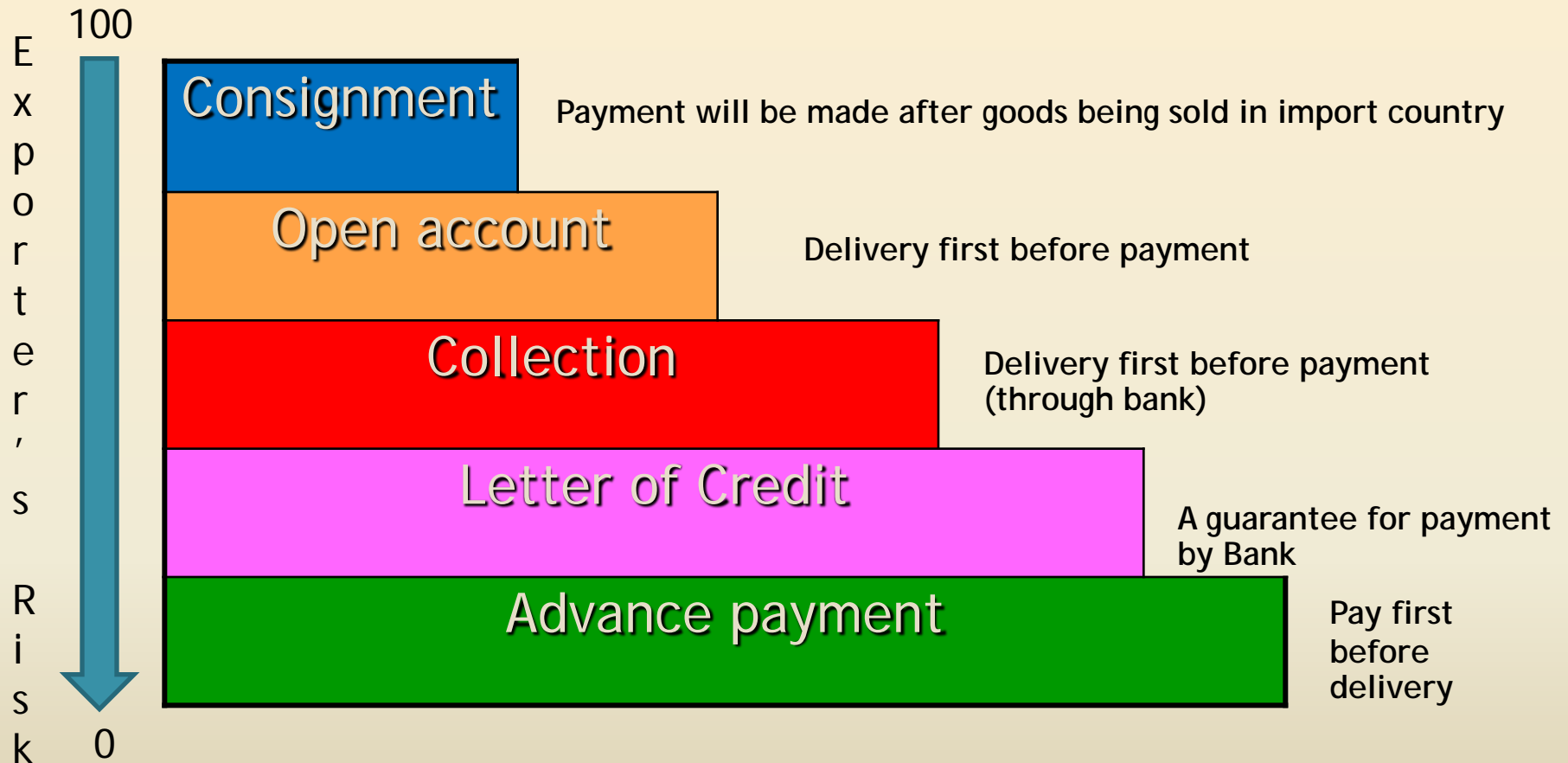
Payment Terms



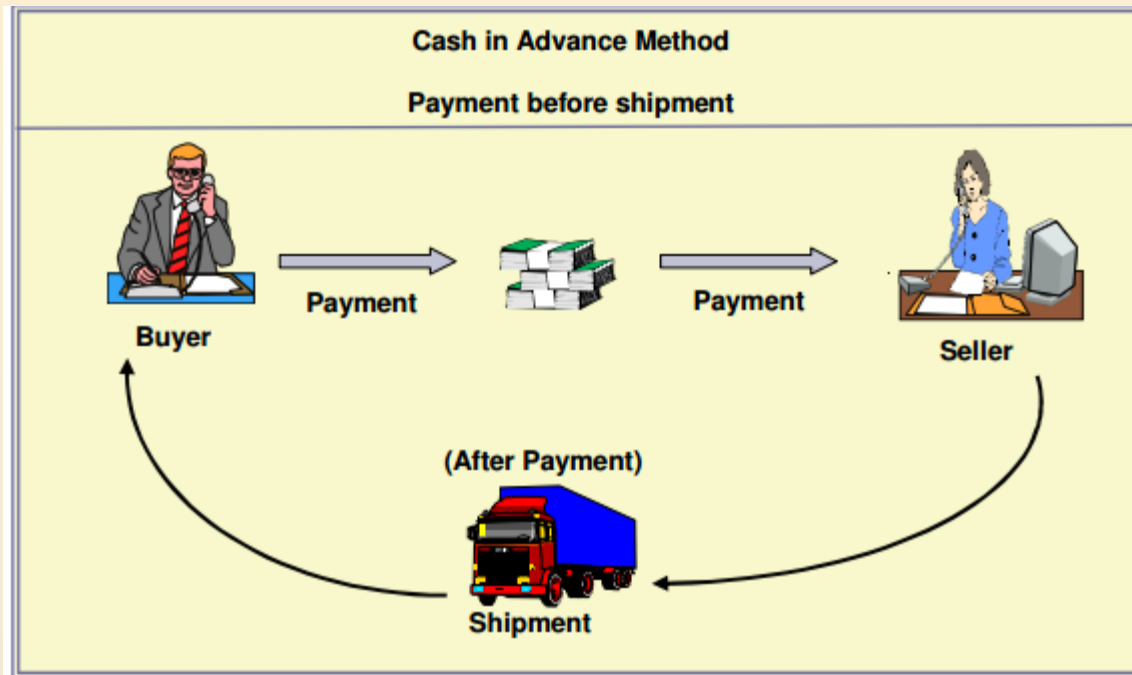
PAYMENT TERMS

- ❑ While negotiating Sales Contract you also have to decide on the way money will be paid to you for your exports.
- ❑ The best scenario would be that you get money before you make any shipment. But Trade is not that simple!
- ❑ You also have to take steps to ensure that there is no delay or default on payment from your buyer. Any delay or default will disturb your trade cycle. So, be aware and avoid complications.

PAYMENT TERMS

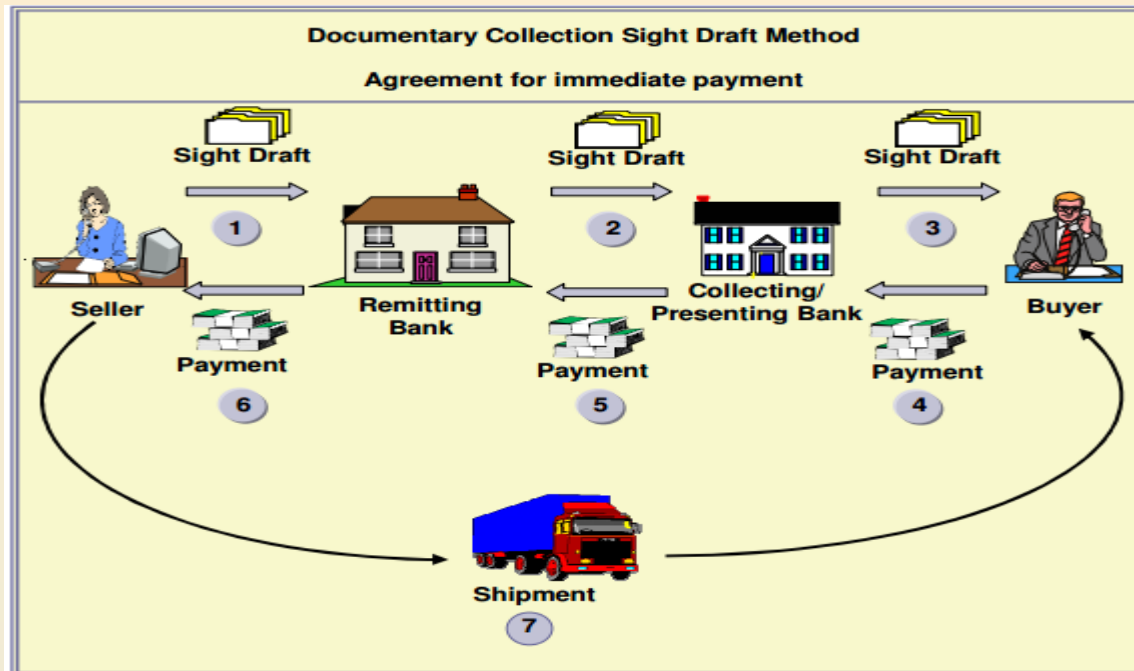


PAYMENT TERMS- EXAMPLE 1



- ☐ Buyer pays before shipment is made by Seller
- ☐ Seller should go for it when confidence on Buyer is weak
- ☐ As a seller of goods you get maximum security
- ☐ But as a buyer of goods, there is no guarantee that goods will be shipped once payment has been made by you

PAYMENT TERMS- EXAMPLE 2



- ☐ As an exporter you ship the goods to the buyer in foreign country, but the shipping & financial documents are sent to the buyer's bank.
- ☐ The bank handles documents according to the instructions received.
- ☐ The Collecting Bank has the duty only to collect the payment from the buyer in exchange for delivery of the documents.

PAYMENT TERMS- EXAMPLE 3



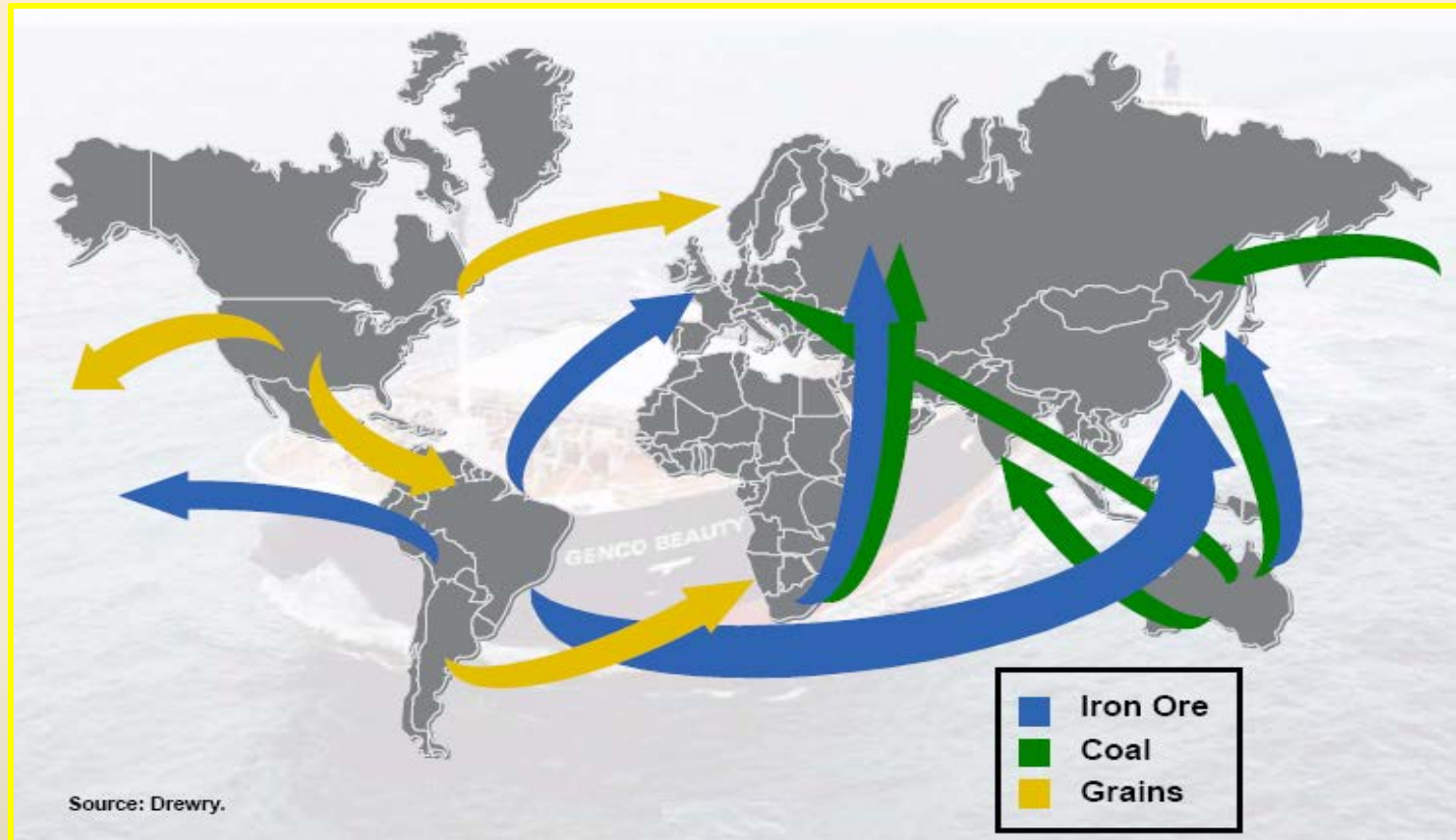
- ❑ Letter of Credit solves Issues of Mutual Mistrust by using Banks as arbiters.
- ❑ L/C is an undertaking issued by Buyer's bank at the request of the applicant (buyer, importer) in favor of a beneficiary (seller, exporter)
- ❑ L/C guarantees payment to Seller up to a stated amount for a specified period if conditions laid out in L/C are met

HOW TO MARKET YOUR PRODUCT FOR EXPORT

- ❑ Prepare brochures, printed pamphlets and catchy product catalogues
- ❑ Use international trade fairs, business to business meets and conferences for interaction and leads
- ❑ Take help of the DGFT schemes such as
 - ✓ Market Development Assistance
- ❑ Reach out to export promotion councils for marketing support
- ❑ Create your online presence
 - ✓ Website
 - ✓ Enroll in social media platforms
 - ✓ Tag your website with other business to business portals e.g. alibaba.com



GLOBAL TRADE IS BIG, THERE IS SPACE FOR EVERYONE INCLUDING YOU!



World trade for select commodities

AN EXPORT STORY: RAMESH FLOWERS

- ❑ In 1977, a young man of 24, came to a place named Thoothukudi, Tamil Nadu. He sensed a business opportunity in dried flowers and leaves for decoration
- ❑ In 1982, founded a company named Ramesh Flowers with six staff and himself for exports to Germany (This is the big idea)
- ❑ Exported on a medium scale till early 1990s with a variety of bouquets, potpourris, wreaths etc.
- ❑ In 1995, diversified into fragrant oils, candles, fragrant pillows, sachets etc
- ❑ The company now exports to major European and US retailers such as Ikea, Walmart, Kohl's, Asda etc.

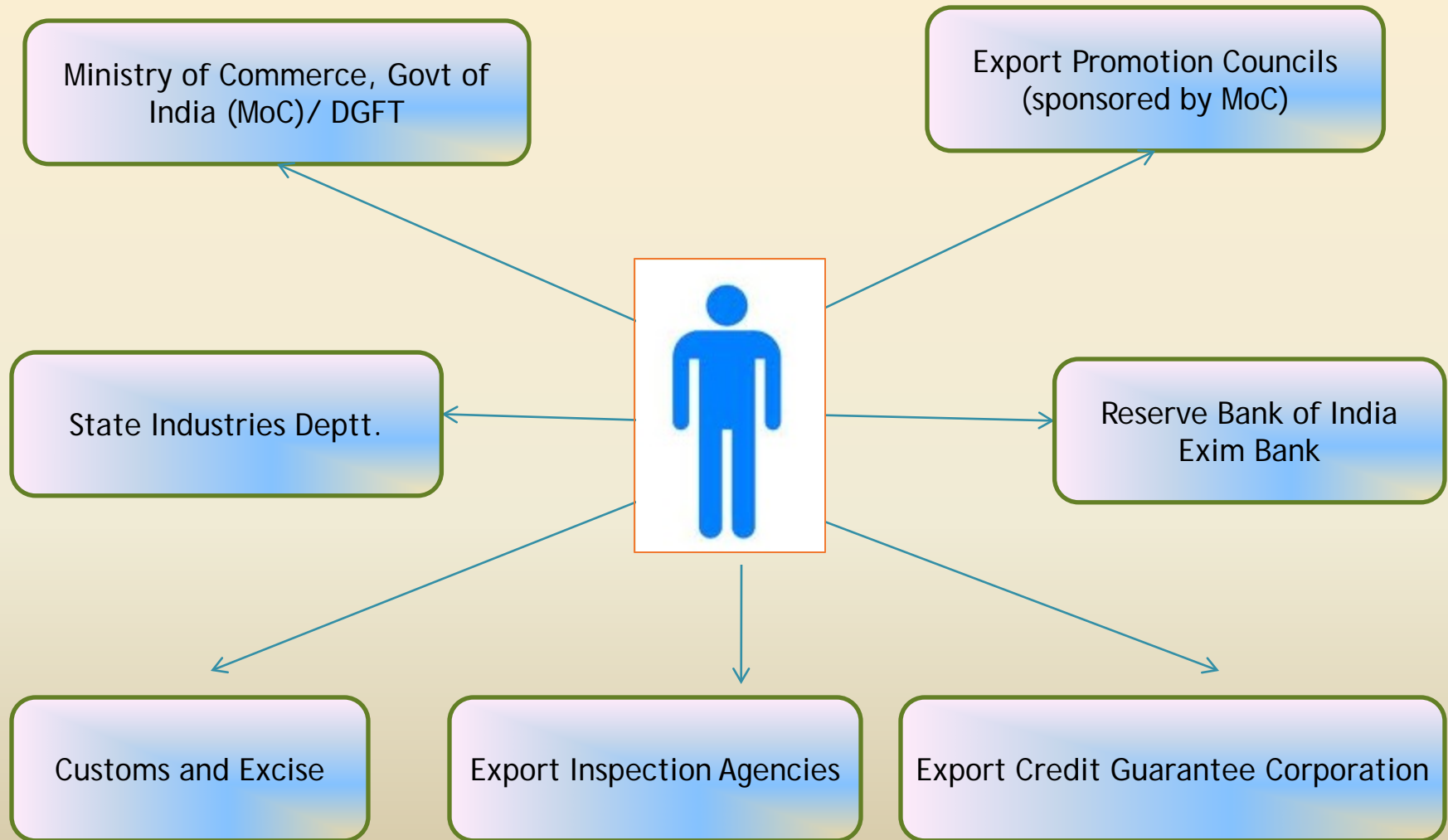


AN EXPORT STORY: RAMESH FLOWERS

- ❑ Revenues Rs 60 Crore in 2007, which grew in 2013 to 130 crore
- ❑ Employment Generation for about 2000 people
- ❑ No Major Capital Investment, no advanced technology but stable returns
- ❑ Even when dried flowers have little domestic demand traction in India
- ❑ Net Margin: 7-8%
- ❑ All this in one generation and the young man (now old) hopes to garner revenues of around 250 crore in next 3 years
- ❑ “Good feeds good” principle at work in Exports!



WHOM YOU WOULD TALK TO IN GOVERNMENT?



DIRECTORATE GENERAL OF FOREIGN TRADE, MoC



- ❑ To start exports, first step is to obtain IEC from the regional offices of the Directorate General of Foreign Trade
- ❑ There are 35 regional offices of the DGFT across the country
- ❑ DGFT Officers are your mentors and guides for exporters

WHY YOU SHOULD TALK TO DGFT OFFICES?

From the DGFT Offices:

- ❑ Obtain your rights to take
 - ✓ Advance Authorizations (licenses) to get import duty waiver
 - ✓ Duty Free Import Authorization
- ❑ Obtain Export Benefits
 - ✓ For specific products and markets or both
 - ✓ To import capital goods for technological upgradation
- ❑ Obtain other benefits e. g.
 - ✓ Certificate of Origin to get benefit of Generalized System of Preferences

INDUSTRY REGISTRATION

- ❑ Your factory should register with the department of Industries of the relevant state government
- ❑ Right documentation and regular update of your company data is often a pre-requisite for access to government funds



Factory

Registration
Compliance with
local regulations
For MSMEs:
SSI certificate



District Industries Center

State government's
Export promotion cell



Export-Import Bank of India is the premier export finance institution of the country, set up in 1982 under the Export-Import Bank of India Act 1981.

EXIM BANK

EXIM Bank can assist you in taking buyer's credit

- ❑ Your overseas buyers/importers can avail this facility for import of eligible goods and services from India on deferred payment terms.
- ❑ Buyer's Credit is extended to a foreign project company that intends to award the project execution to an Indian project exporter. The financing will be available to all kinds of projects and service exports from India
- ❑ Facility is available for development, upgrading or expansion of infrastructure facilities; financing of public or private projects such as plants and buildings; professional services such as surveyors, architecture, consultations, etc.

EXIM BANK

If you plan to export projects, EXIM Bank
gives Line of Credit to the Destination
Country.

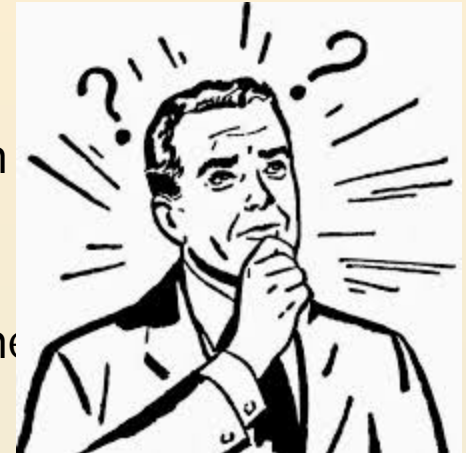
RBI: A BRIEF INTRODUCTION



- ❑ Reserve Bank of India is India's Central Bank which controls and monitors the banking and financial system of the country
- RBI's mandate includes:
 - ✓ Management of Foreign Exchange
 - ✓ Regulation and Supervision of Payment and Settlement systems
 - ✓ Issuance of currency
 - ✓ It is the Bank for other banks.
 - ✓ It is Banker to Government

ARE SOME QUESTIONS BOTHERING YOU?

- ❑ Q1. I have to invoice my buyer. Can I invoice him in INR? Or, invoice has to be generated only in foreign currency?
- ❑ Q2. Once I have exported goods I have to realize the export proceeds. What is the timeline for realization? Can I keep a part of realization in foreign bank account?
- ❑ Q3. Can I keep all your export proceeds in foreign currency account in India? Or, do I have to convert all the realization in INR?
- ❑ Q4 . If short realization happens for the export proceeds, can I write it off? Or, RBI permission is required?
- ❑ Q5. If buyer is not able to remit money in time, what is the procedure for late realization?



ANSWERS



- ☐ The RBI Master Circular consolidates the existing instructions on the subject of "Export of Goods and Services from India" at one place.
- ☐ Please go through the instructions given in the Master Circular to get answers to all your queries.
- ☐ Next few slides provides answers to some very crucial questions

ANSWER 1



Q1. Can you invoice your buyer in INR?

Ans.1: There is no restriction on invoicing of export contracts in Indian Rupees.

“All export contracts and invoices shall be denominated either in freely convertible currency (Euro, Dollar, Yen and Pound) or in Indian Rupees but export proceeds shall be realized in freely convertible currency.”

“However, export proceeds against specific exports may also be realized in rupees provided it is through a freely convertible Vostro account of a non-resident bank situated in any country, other than a member country of the ACU or Nepal or Bhutan”.

ANSWER 2



Q2. What is the time frame for realization of export proceeds?

Ans.2: If you are an exporter, it is obligatory to realize and repatriate the full value of goods or software to India within 12 months period from the date of export. Some exceptions are provided as under :

- If destination of your goods exported is a warehouse established outside India realization has to happen in any case within fifteen months from the date of shipment of goods.

ANSWER 3



Q3.Can you have a foreign currency account in India?

Ans. 3: A person residing in India may open with, an AD Category - I bank in India, an account in foreign currency called the Exchange Earners' Foreign Currency (EEFC) Account, in terms of various RBI regulations

ANSWER 4 & 5



Q4 &5. What about extension of time and Self write-off by the exporters ?

Ans. 4&5: For export proceeds due within the prescribed period during a financial year all exporters (Including Status Holder exporters) have been allowed to write-off (including reduction in invoice value) outstanding export dues and extend the prescribed period of realization beyond 12 months or further period as applicable, subject to certain conditions.

CUSTOMS



❑ Customs does:

- ✓ Trade facilitation
- ✓ Assessing and collecting revenue on imports
- ✓ preventing smuggling

Reference: www.cbec.gov.in

CUSTOMS



❑ Trade facilitation Measure:

Process Automation by extensive use of IT (e.g. ICEGATE)

- ✓ ICEGATE stands for the Indian Customs Electronic Commerce/Electronic Data interchange (EC/EDI) Gateway.
- ✓ ICEGATE is a portal that provides e-filing services to the trade
- ✓ It also enables electronic message exchanges between Customs and the Trading Partners

Reference: <https://www.icegate.gov.in/>

CUSTOMS



❑ Assessing and Collecting revenue by

- ✓ Valuation and assessment
- ✓ Applying tariff
- ✓ Preventing smuggling
- ✓ Physical inspection
- ✓ Accessing intelligence

CENTRAL EXCISE



❑ The Central Excise

- Collects excise duties
- Refunds and gives CENVAT credit/(TED Refund)

Reference: The Central Excise Rules, 1944
The Central Excise Act, 1944

CUSTOMS AND EXCISE ACTS



- ❑ Customs Acts, 1962
- ❑ Customs Tariff Acts, 1975
- ❑ Central Excise Act, 1944
- ❑ Central Excise Tariff Act, 1985
- ❑ Taxation Laws (Amendment) Act, 2006- an Act further to amend the Income-tax Act, 1961; the Customs Act, 1962; the Customs Tariff Act, 1975 and the Central Excise Act, 1944

WHAT ARE TARIFFS?

❑ A tariff or duty is a tax levied by governments on the value including freight and insurance of imported products.

❑ Why to know about import tariffs ?



- ✓ Tariffs and taxes increase the cost of your product to the foreign buyer and the cost of a foreign product in the domestic market
- ✓ It may affect competitiveness of your products in foreign market and that of foreign products in the local market
- ✓ In case of exports, knowing what the final cost to your buyer would be can help you price your product for that market

WHAT COMPRISES TARIFF?

Components of Tariff

- ✓ Basic Customs Duty
- ✓ Additional Customs Duty
- ✓ Special Additional Customs Duty
- ✓ Education Cess

HOW CUSTOMS DUTY IS CALCULATED?

Duties	Steps to Calculation
Assessable Value	CIF Value + Landing Charges (@1% of CIF Value)
Basic Duty of Customs (%)	$(AV \times BD \text{ rate}) / 100$
Basic Duty Pref (%)	$(AV \times BD \text{ Pref rate}) / 100$
Additional Duty of Customs(CVD) (Including Cess, if any) (%)	$(AV + BD. \text{ Amt.}) \times CVD \text{ rate} / 100$ CVD=10%
Central Excise Education Cess (%)	$(CVD \text{ Amt.}) \times \text{Central Excise Edu. Cess Rate} / 100$ Edu Cess= 3%
Customs Education Cess (if any) (%)	$(BD \text{ Amt.} + CVD \text{ Amt.} + Edu. \text{ Cess. Amt.}) \times$ $\text{Custom Edu. Cess Rate} / 100$ Edu Cess= 3%
Special Additional Duty of Customs(Spl.CVD) (if any) (%)	$(AV + BD \text{ Amt.} + CVD \text{ Amt.} + Edu. \text{ Cess. Amt.} +$ $\text{Custom Edu. Cess Amt.}) \times \text{Spl. CVD Rate} / 100$ Special CVD=4%
Total Customs Duty	BD Amt. + CVD Amt. + Edu. Cess Amt. + Custom Edu. Cess Amt. + Spl. CVD Amt.

HOW TO KNOW IMPORT DUTY ON YOUR PRODUCT?

- ❑ Determine 6 digit ITC(HS) code for your product
- ❑ Access tariff details published by importing country. These are the tariff and tax data published by each country's government that list tariff (duty) rates as per product's HS code.
 - Tariff data is available at WTO Tariff Database
(http://www.wto.org/english/tratop_e/tariffs_e/tariff_data_e.htm)
 - Country's Customs Website etc.

AVAILABLE ONLINE DATABASES (WEBSITES) FOR KNOWING TARIFF

1. WITS-Trains
2. Tariff Analysis Online
3. Eurostat Online Database
4. Directorate of Trade Statistics, IMF
5. OECD-WTO Trade in Value Added



WHAT IS EXCISE DUTY?

❑ Excise Duty:

- ✓ Also known as Central Value Added Tax (CENVAT).
- ✓ Levied on manufacture and production of excisable goods (excluding goods produced or manufactured in special economic zone) in India.
- ✓ Levied when goods leave the factory gates.



❑ Excisable goods:

- ✓ Goods specified in the First Schedule and the Second Schedule to the Central Excise Tariff Act, 1985.

WHAT COMPRISES EXCISE DUTY?

□ Components of Excise Duty

- ✓ Basic Excise Duty
- ✓ Special Excise Duty
- ✓ Additional Excise Duty
- ✓ Education Cess



EXPORT INSPECTION AGENCIES

- ❑ Regulatory Import Controlled have been causing regular problems to Indian Exporters resulting in rejection and recalls
- ❑ EIAs provide pre-shipment inspection and quality control
- ❑ EIA's are located at Chennai, Kochi, Kolkata, Delhi and Mumbai
- ❑ You should ensure EIA certificate for exports of specified products e.g. fish & fishery products, milk & milk products, chemicals & allied products, poultry products, meat & meat products etc.

EXPORT PROMOTION COUNCILS



The Export Promotion Councils (EPCs) are non-profit organizations sponsored by the Ministry of Commerce and are registered under the Companies Act or the Societies Registration Act.

YOU MAY INTERFACE WITH EPCs

- ❑ First identify the relevant Export Promotion Council which relates to your product e.g. If your export product is an engineering item, the relevant EPC is the Engineering Export Promotion Council (EEPC).
- ❑ Your product related EPC can assist you in promoting your products in international markets by facilitating participation in trade fairs, exhibitions abroad
- ❑ You can register for Registration-cum-Membership Certificate (RCMC) of the EPC concerned.

The list of EPC's under the Department of Commerce can be found on

<http://commerce.nic.in/epc.htm>

EPCs do not provide financial or other type of direct assistance. They are purely advisory in character.

EXPORT CREDIT GUARANTEE CORPORATION



The Export Credit Guarantee Corporation of India Limited (ECGC) is a government owned company to assist you in mitigating export risks.

❑ ECGC helps Exporters by:

- ✓ Offers insurance protection to exporters against payment risks
- ✓ Makes it easy to obtain export finance from banks/financial institutions
- ✓ Assists exporters in recovering bad debts
- ✓ Provides information on credit-worthiness of overseas buyers

TYPE OF RISKS COVERED BY ECGC

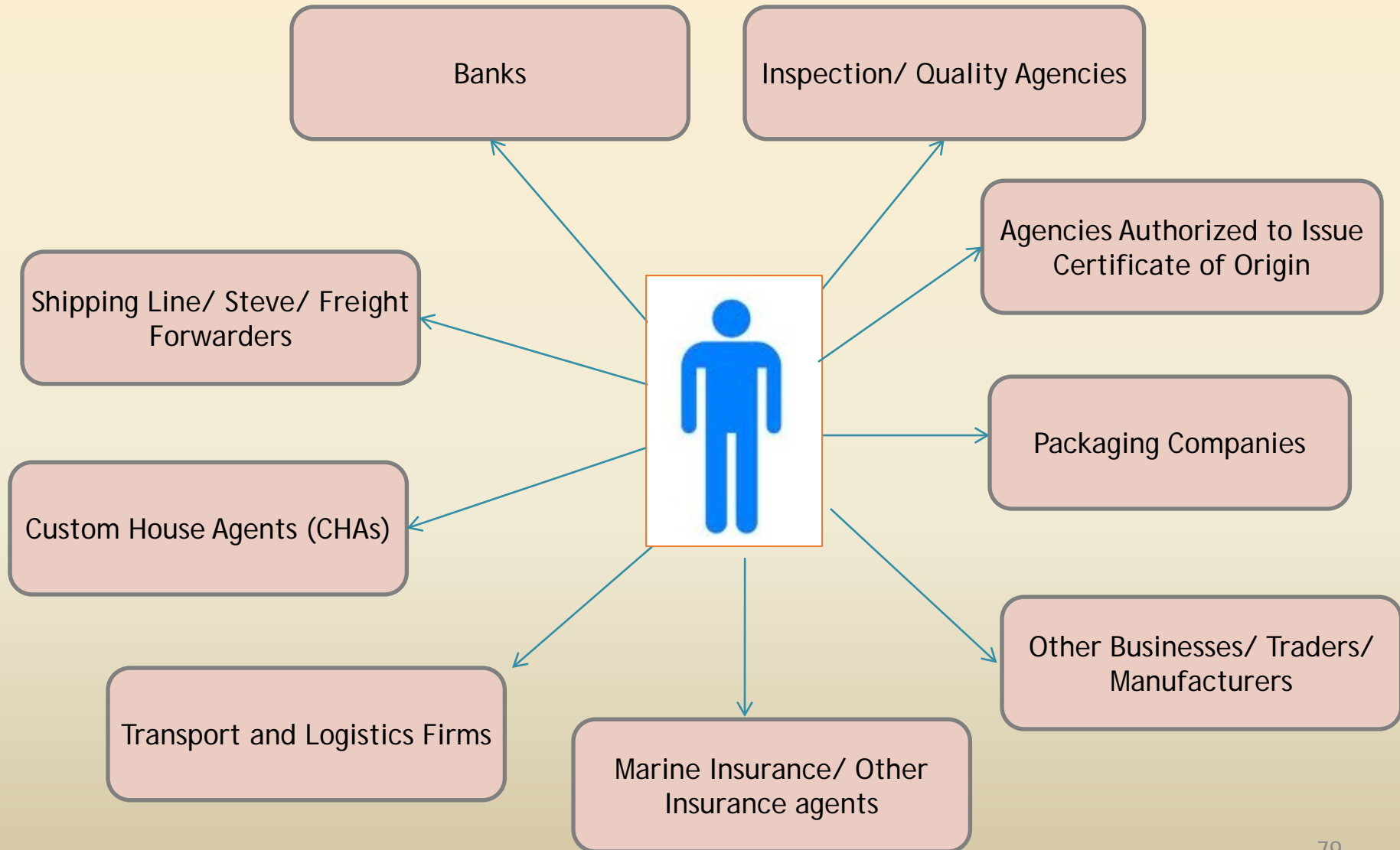
❑ Commercial Risks

- ✓ Buyer goes bankrupt
- ✓ Death
- ✓ Default of payment for any reason other than product dispute.

❑ Political Risks

- ✓ Government preventing release of funds
- ✓ war/revolution

WHOM YOU WOULD TALK TO IN PRIVATE SECTOR?

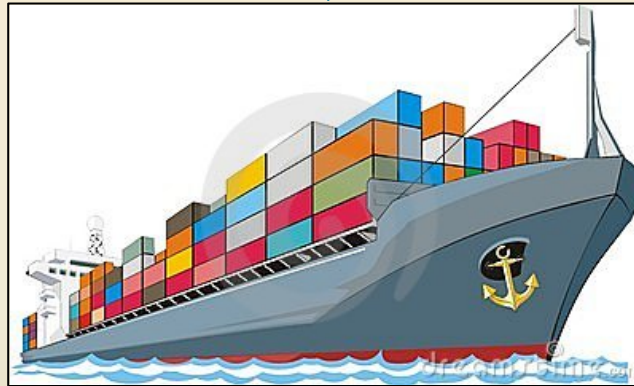




Banks

THERE ARE THREE TYPES OF TRADE FINANCE AVAILABLE FROM BANKS

Pre-shipment Finance



Post-shipment Finance

Import Finance

TRADE FINANCE

- ❑ Pre-Shipment Finance- If you have a confirmed order backed by a documentary credit (Letter of Credit etc), your bank may be able to provide you with the working capital you need to produce and ship the goods, giving you the reassurance of being able to take on new contracts and grow your business.
- ❑ Post-Shipment Finance- When you have shipped goods to a customer and payment is assured, your bank may be able to advance payment to you till you receive payment from customers.
- ❑ Import Finance- Your Bank can provide short-term finance linked to your trading cycle to enable you to pay your suppliers promptly but allowing time for you to re-sell the stock or undertake any capital expenditure required.

CUSTOM HOUSE AGENT

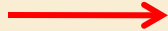


- ❑ Custom House Agent(CHA) is licensed o do your transactions with customs
- ❑ CHA can assist you in custom related documentation for exports and imports.

LOGISTICS AND TRANSPORT FIRMS



Factory



Packing



Transport



**Registration and
shipping bill entry
formalities**



- ❑ Identify authentic logistics company to manage safe and temper proof transport and handling of goods
- ❑ Managing documentation at the time of dispatch of goods from shore i.e. bill of lading, mates receipt, shipping bill, packing list, insurance documents etc
- ❑ Multi-modal transport companies are also available to you to provide end to end service from factory gate to last buyer/ importer

FREIGHT FORWARDERS



- ❑ International transport logistics may be operationalised either through freight forwarder or shipping line directly.
- ❑ In most cases, a freight forwarder will be the interface between you and shipping line.
- ❑ A freight forwarder can manage your logistics from source of export products to the final destination
- ❑ It can be an individual or a company
- ❑ He is an expert in supply chain management

FREIGHT FORWARDERS HELP YOU SAVE COST

- ❑ A freight forwarder can assist you in -
 - ✓ Advising: on various charges like exporting costs including freight, port charges, freight handling charges etc; on most appropriate modes of transport; packaging
 - ✓ Reserving space on carrier
 - ✓ Consolidation of cargo for less than full container loads
 - ✓ Documentation: preparing and filing export documents such as Bill of Lading, Certificate of Origin, Insurance Certificate
- ❑ In India, the list of freight forwarders can be accessed from **Indian Association of Freight Forwarders (<http://www.fffai.org/>)**

MARINE INSURANCE

You can avail four types of marine insurance

- ❑ **Hull Insurance:-** It will cover the insurance of the vessel and its equipment i.e. furniture and fittings, machinery, tools, fuel, etc.
- ❑ **Cargo Insurance:-** It includes the cargo or goods contained in the ship and the personal belongings of the crew and passengers.
- ❑ **Freight Insurance:-** If the ship is lost on the way or the cargo is damaged or stolen, the shipping company loses the freight. Freight insurance is taken to guard against such risk.
- ❑ **Liability Insurance:-** It is the one in which the insurer undertakes to indemnify against the loss which the insured may suffer on account of liability to a third party caused by collision of the ship and other similar hazards.



PACKAGING FIRMS

- ❑ Regular interface with packaging firms is necessary in order to comply with varied requirements
- ❑ Packaging is specified by
 - ✓ The product's requirements
 - ✓ The customer/consumer requirements
 - ✓ Distribution requirements
 - ✓ Transportation and storage requirements
- ❑ In India, the Indian Institute of Packaging is the nodal body disseminating information about export packaging standards



EXPORT INSPECTION AGENCIES

- ❑ The Government has notified certain private Inspection Agencies who can do pre-shipment inspections
- ❑ The certifications by these firms indicate that the products are quality tested and meet standards for exports
 - ✓ ISI, AGMARK - Product standard
 - ✓ ISO- 9000 & ISO - 14000 - Process and product standard
 - ✓ SA- 8000 - Social Accountability Standard
 - ✓ Global compact - Human rights standards



STEPS IN EXPORT SHIPMENT

- Shipping Bill filing (You may like to take DGFT scheme benefits, in which case you should declare it in your Shipping Bill)
- Checking of documents
- Physical examination of goods
- Assessment
- Let Export Order
- Loading of Goods on carrier

HOW CAN YOU TRANSPORT YOUR GOODS FROM YOUR FACTORY TO THE CUSTOMS BORDER?

Factory Stuffing of Containers

- 1 The Exporter has permission for stuffing the container (FCL) at his factory premise under supervision from Central Excise Official. Permission is given by Central Excise & Customs.



Dock / CFS stuffing

- 2 The Exporter does not have permission for stuffing container (FCL) at his factory premise.

LCL cargo also fall under this category.

Air Cargo Carting

- 3 The export cargo is carted at the airport nominated warehouse of the airline.



Export can be done under any one of the Promotional schemes applicable using the requisite Application and Declaration for export.

EXCISE/ CUSTOMS PROCESSES IN CASE OF FACTORY STUFFING

Excise/Customs official intimated for export of cargo from factory.

Empty Container picked up from CY and transported to factory .

Container stuffing under Excise official's supervision.

Export documentation made ready at factory.

Official checks documentation.
Random open check of cargo.
Loading cargo into container.
Closing & Sealing by official.
Endorsement of export docs.
Sealed envelope of docs to gateway port customs.
Trucking permission given.

Commercial Invoice
Packing List
Shipper Declaration
Purchase Order
SDF(Statutory Declaration Form)
ADC(Authorized Dealer Code)
AR-4 (excisable goods)
Shipping Bill (Export Application)
Importer Exporter Code (IEC)

Loaded and Sealed container moves to port of Loading .

All docs filed for Customs Clearance at Gateway port / CFS.

Container moves to designated Terminal for loading on vessel.

Documents cleared.
Container seals inspected.
'Let Export' Order given.

CUSTOMS PROCESSES IN CASE OF DOCK/ CFS STUFFING



Export Documentation made and filed at Customs at Dock / CFS

Commercial Invoice
Packing List
Shipper Declaration
Purchase Order
SDF(Statutory Declaration Form)
ADC(Authorized Dealer Code)
AR-4 (excisable goods)
Shipping Bill (Export Application)
Importer Exporter Code (IEC)

Export Cargo moved from Factory to Dock /CFS

Customs clearance process for export of goods.

Appraisal of Shipping Bill with all export documents.
Permissibility of export.
Cargo Valuation.
Calculation of duty, if applicable.
Verification of incentive claimed.
Stuffing / Consolidation permission.

Cargo Stuffing into Container

Cargo Examination
Stuffing under Official's supervision.
Container sealed with seals.
Container ready for export.
Documents released and
'Let Export' order given.

Container moves to designated Terminal for loading on vessel.

CUSTOMS PROCESSES IN CASE OF AIR CARGO EXPORT



Export Documentation made and filed at Customs at Airport

Commercial Invoice
Packing List
Shipper Declaration
Purchase Order
SDF(Statutory Declaration Form)
ADC(Authorized Dealer Code)
AR-4 (excisable goods)
Shipping Bill (Export Application)
Importer Exporter Code (IEC)

Export Cargo moved from Factory to Airport Warehouse

Customs clearance process for export of goods.

Appraisal of Shipping Bill with all export documents.
Permissibility of export.
Cargo Valuation.
Calculation of duty, if applicable.
Verification of incentive claimed.
Stuffing / Consolidation permission.

Cargo Examination

Cargo Examination by Official
DGR Check
Documents released and
'Let Export' order given.

Cargo Carted to Airline Shed & loaded after cooling period

Loading of Goods, A fully stacked ship!



PROMOTIONAL MEASURES IN FOREIGN TRADE POLICY



- ❑ Promotional Measures in the Department of Commerce (DoC)

- ❑ Promotional Measures in the Directorate General of Foreign Trade (DGFT)

PROMOTIONAL MEASURES UNDER THE FOREIGN TRADE POLICY

- ❑ The Scheme for Assistance to States for Development of Exports and Allied Activities (ASIDE)
- ❑ Market Access Initiative (MAI)
- ❑ Market Development Assistance (MDA)
- ❑ Towns of Export Excellence (TEE)
- ❑ Provision for funding of Test Houses for quality testing of products
- ❑ Provision for giving Certificate of Origin and GSP Certificate of Origin (DGFT and authorized agencies can issue these certificates)



ASIDE

Assistance is given to States to develop export infrastructure, including setting up SEZ, constructing roads connecting production centers with ports, setting up Inland Container Depots, stabilizing power supplies, setting up common affluent facilities etc.

MARKET ACCESS INITIATIVE

Financial assistance is provided to EPCs, Industry and Trade Associations, State Government Agencies and Indian Commercial Missions abroad to do market surveys, publicity campaigns, participate in International Trade Fairs, set showrooms/warehouses etc.

MARKET DEVELOPMENT ASSISTANCE



Financial assistance is provided by MoC to EPCs and trade promotion organizations to participate in trade fairs, buyer-seller meets abroad or in India, export promotion seminars in form of travel grants to travel to focus areas (for example Latin American, African, CIS etc markets)

TOWNS OF EXPORT EXCELLENCE

A Common Service Provider(CSP) can set up Common Service Centers located in TEE and give a single BG under EPCG scheme.



GENERALIZED SYSTEM OF PREFERENCES(GSP)



- ❑ GSP is a non-contractual instrument by which certain some developed countries unilaterally and based on non-reciprocity extend tariff concessions to developing countries
- ❑ It involves reduced Tariffs or duty-free entry of eligible products.
- ❑ This tariff preference can help you to increase market share and to improve upon the profit margins, in the developed country
- ❑ GSP is presently extended by 29 developed countries

WHY TAKE CERTIFICATE OF ORIGIN?



- ❑ Only such products of a beneficiary country (like India) that fulfill the requirements of the rules of origin laid down by the importing country, are considered eligible for preferential tariff treatment
- ❑ Rules of origin comprise a set of requirements laid down by the importing country, which must be fulfilled by a product to be eligible for preferential tariff treatment upon import in that country
- ❑ The rules of origin are aimed at reserving the benefit of the preferential system to the country for which it is intended.
- ❑ You can apply for Certificate of origin and GSP certificate of Origin to any DGFT office or to agencies authorized under FTP

<http://dgft.gov.in/exim/2000/download/Apppe&ANF/4A.pdf>

FOREIGN TRADE POLICY



- ❑ The foreign trade policy provides the framework for catalyzing India's exports
- ❑ Target is to continuously increase India's present share of global trade and expand employment opportunities through foreign trade
- ❑ The current policy 2009-14 is expected to be succeeded by a new policy this year

LEARN YOUR FOREIGN TRADE POLICY FROM:

The central government derives its statutory powers to frame Foreign Trade Policy from the FTDR Act (as amended in 2010)



Rules and provisions therein are described under:

- ☐ Foreign Trade Policy (FTP)
- ☐ Handbook of procedures
 - ☐ Volume - I - Procedures; the Appendices (Last printed in June 2012) & Aayat Niryat forms.
 - ☐ Volume – II - SION (Standard Input Output Norms) [Last printed in 2009]
- ☐ ITC (HS) Classification of Export and Import Items [Last printed in 2012]
- ☐ New Policy expected this year!
- ☐ All these Policy documents and their updates in the form of circular, public notices and notifications are available on DGFT website: dgft.gov.in

SALIENT FEATURES OF THE FTP

- ❑ Duty Neutralization/ Remission/ Exemption is available for imports if the goods imported have an export linkage , with certain conditions.

Special Focus Initiatives to further the export objectives which target:

- ❑ Market Diversification
- ❑ Product Diversification
- ❑ Technological Up gradation
- ❑ Support to Status Holders (e.g. Status Holder Incentive Scrip)
- ❑ Support to Agriculture, Handlooms, Handicraft, Gems & Jewelry, Leather, Marine, Electronics and IT Hardware Manufacturing Industries, Green Products , Sports Goods , Toy Sectors
- ❑ Support to exports from North-East
- ❑ Support to Green Technology

CENTRAL DUTY REFUND/ NEUTRALISATION/ EXEMPTION SCHEMES

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graph TD; A[CENTRAL DUTY REFUND/ NEUTRALISATION/ EXEMPTION SCHEMES] --> B[Pre Export]; A --> C[Post Export];
```

Pre Export

- **Advance Authorization (AA)/ Duty Free Import Authorization (DFIA) Schemes for duty waivers on imports to be used in the resultant export products**
- **Export Promotion Capital Goods (EPCG scheme) for duty waiver on imports of capital goods used to manufacture export products**

Post Export

- **Drawback on imports used for exports**
- **Post export EPCG is also available**
- **Certain local sales can also get duty refund on Terminal Excise Duty and drawback on inputs. These local sales should fulfill certain conditions under the deemed export scheme**

SINCE DUTIES AND TAXES CANNOT BE EXPORTED YOU ARE ENTITLED FOR DUTY WAIVERS/ REMISSION ON:

❑ PRIME INDIRECT TAXES & DUTIES:

- Basic Customs Duty;
- Excise Duties (Additional Customs Duties);
- Special Additional Duty (@4%)
- Education Cess and Higher Education Cess



❑ OTHER PRIME DUTIES/CESS

- Value Added Tax (refund is given by state government on exports)
- Central Sales Tax (CST) (Exemption/Refund to SEZ and EOUs only)

WHAT TAXES ARE **NOT** REFUNDED/ EXEMPTED NOW?

- ❑ VAT on Petroleum Products;
Electricity Duty; Octroi; Mandi tax;
Entry Tax etc is not refundable
- ❑ Income Tax exemption is no more
available except on certain
re-investment and R&D criterion in
Special Economic Zones/ Export
Oriented Units
- ❑ Refund of Fringe Benefit Tax



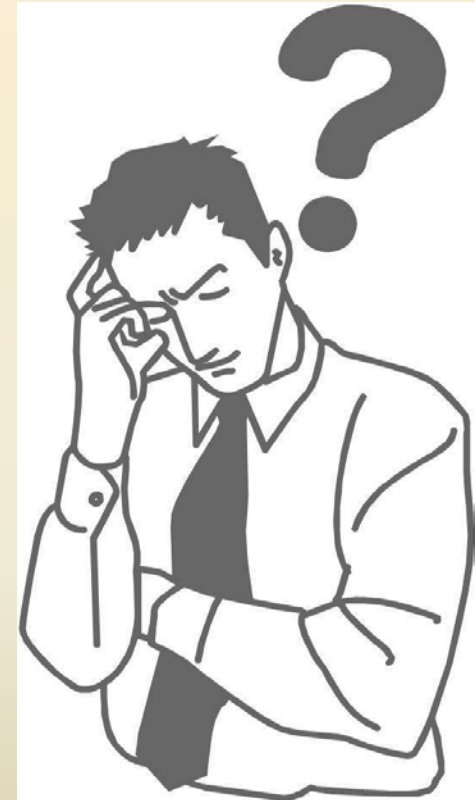
ADVANCE AUTHORIZATION SCHEME

- ❑ You must take Advance Authorization (AA) from the regional DGFT offices if you intend to use your imported product as inputs to manufacture resultant export product
- ❑ You are entitled to import waivers on the imports used to manufacture resultant export products as per Standard Input Output Norms (SION) prescribed in Handbook of Procedures Vol II
- ❑ You would also get import duty waivers on fuel, Oil, Catalyst etc. required for manufacturing the export product



WHICH ARE THE ITEMS FOR WHICH ADVANCE AUTHORIZATION IS GIVEN WITH RESTRICTIONS?

- ☐ No Advance Authorization can obviously be given for import of prohibited items
- ☐ Advance Authorization can however be given for import of restricted items with certain conditions
- ☐ Items reserved for import through State Trading Enterprises (STEs) can be imported against Advance Authorization/ DFIA provided the item of import is canalized/ bought through STEs or after obtaining No Objection Certificate from STEs



WHO CAN APPLY?

- ☐ Manufacturer Exporter



- ☐ Merchant Exporter tied up with Supporting Manufacturer



Registered office/Head office or branch office/unit can apply

HOW TO USE THE ADVANCE AUTHORIZATION?



- ❑ When importing, Advance Authorization enables import duty waiver after giving Bank Guarantee /Legal Under taking (BG/LUT) to the Customs at the port of registration
- ❑ Advance Authorization holder can however exercise a choice to source inputs from domestic sources in lieu of direct imports
- ❑ They can apply for Advance Release Order (ARO) or Invalidation letter depending on the needs of the domestic supplier

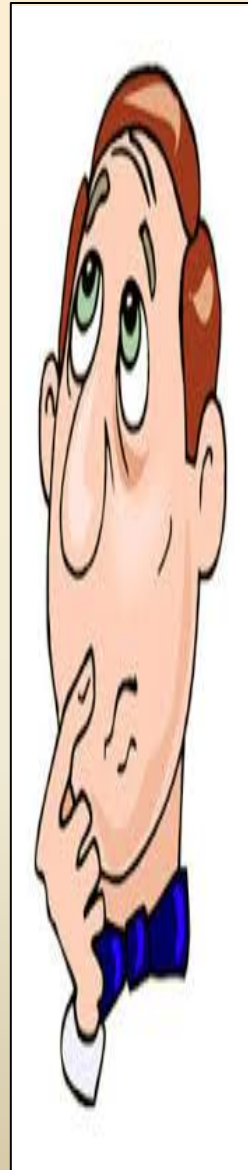
Invalidation Letter

- ❑ The invalidation letter is used when a domestic supplier wants to import his inputs without paying customs duties
- ❑ The advance authorization holder can invalidate his authorization in favor of a domestic supplier, who can import inputs used for resultant export product
- ❑ If the advance authorization holder has not given BG/LUT to customs, he has to give BG/LUT to the regional authority of DGFT



ARO

- ❑ Advance Release Order (ARO) is used when a domestic supplier uses duty paid inputs for its exports/ supplies and seeks refund of duty through deemed export mechanism
- ❑ ARO can be taken only in favor of one domestic supplier
- ❑ However, invalidation letter can be passed on in favor of a chain of domestic suppliers provided each time a new Advance Authorization and invalidation letter is taken by all the suppliers in the chain



BACK TO BACK INLAND LETTER OF CREDIT

- Advance Authorization / DFIA holder can source the goods from indigenous supplier through a back to back inland letter of credit from banks



OBLIGATIONS TO MEET IN ADVANCE AUTHORIZATION!

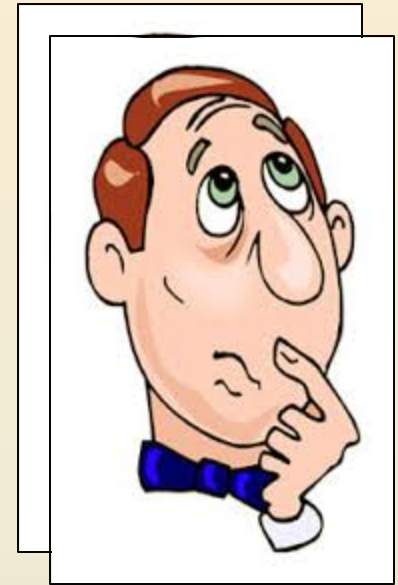


You should abide by the following conditions when availing Advance Authorization:

- ☐ You should make exports within 18 months from the date of issue of AA (Exception: Appendix 30A items and BIFR Rehabilitation package)
- ☐ You should submit correct documents: Shipping Bill/ Supply invoices, Bank Realization Certificates, Appendix 23 certificate etc.

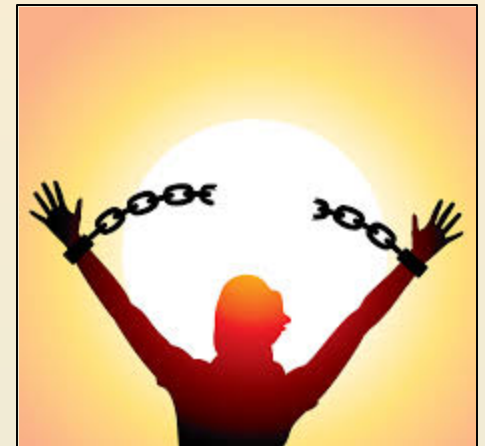
IMPORTANT TERMS WHEN APPLYING FOR ADVANCE AUTHORIZATION

- ❑ Value Addition
 - ✓ $(A-B)/B \times 100$ where, A is FOB value of export realized and B is CIF value of inputs imported
- ❑ Export Obligation Period
 - ✓ Only those exports which are made within export obligation period will be counted against fulfillment of export obligation against the authorization
- ❑ Authorization Validity Period
 - ✓ Only within the validity period you can import inputs duty free



FLEXIBILITIES AVAILABLE IN ADVANCE AUTHORIZATION

- ❑ Enhancement/ Reduction in the value of Authorization post issuance can be done for
 - ✓ CIF/ FOB value
 - ✓ Quantity of Imports/ Exports
- ❑ Revalidation can be done
 - ✓ Up to 6 months by Regional Offices
 - ✓ Further 6 months by DGFT headquarters
- ❑ EO Period Extension can be done
 - ✓ Up to 6 months by Regional offices
 - ✓ Further 6 months by DGFT headquarters



WHAT IF YOU FAIL TO MEET THE OBLIGATION?

- ☐ You have to face penalties e.g. – payment of customs duty with interest
- ☐ Repeat offenders may be debarred from getting fresh authorization till they pay the penalties
- ☐ Payment of duties can be through cash or duty credit scrips



ANNUAL ADVANCE AUTHORIZATION

- ❑ Authorization holders who have been exporting for at least 2 years can get annual Advance Authorization.
- ❑ This gives them the flexibility to export any product throughout the year falling under an export product group using the duty exempted imports.
- ❑ However specific inputs have to be tallied with the resultant exports as per SION/ prescribed ad hoc norms

DUTY FREE IMPORT AUTHORIZATION (DFIA) SCHEME

- ❑ DFIA is a variant to Advance Authorization scheme
- ❑ Has enabling provision for transferability of authorization or materials imported against it
- ❑ DFIA can be applied and obtained on post export basis as well
- ❑ It is popular with exporters who export first and then obtain the Authorization, which can be sold freely



HOW IS DFIA DIFFERENT FROM ADVANCE AUTHORIZATION?



The DFIA is different from Advance Authorization following counts :

- ☐ Higher minimum value addition of 20% is required, as compared to only 15% in Advance Authorization
- ☐ SION based only, no ad hoc norms allowed
- ☐ Inputs/scrip freely transferable once exports completed. This facility is mostly used by Merchant Exporters
- ☐ Payment of Excise duty on imports after transferability (except where cenvat credit has not been availed on inputs used in the exported product)

THIS IS HOW THE STANDARD INPUT OUTPUT NORMS ARE TABULATED

Sl. No.	Export Item	Quantity			Import Item	Qty. Allowed
C1	All Aluminium Conductor (Bare)	1 MT	1		Aluminium Wire Rod OR Aluminium Ingot / Billets	1.01 MT 1.04 MT.
C2	Aluminium Alloy extruded Products including Rods and Bars	1 kg	1		Aluminium Alloy Billets OR 1.a) Aluminium Ingots/ T Bars/Sows OR a) Aluminium Scrap	1.01 kg. 1.02 kg 1.04 kg
					b) Copper Scrap	1.05 kg
					c) Silicon	1.05 kg
					d) Zinc Scrap	1.05 kg
					e) Manganese	1.05 kg
					f) Any other Metal - X	1.05 kg
			2		Powder for Coating	0.02 kg/kg content in export product
			3		Tool & Die Steel	4% of FOB Value

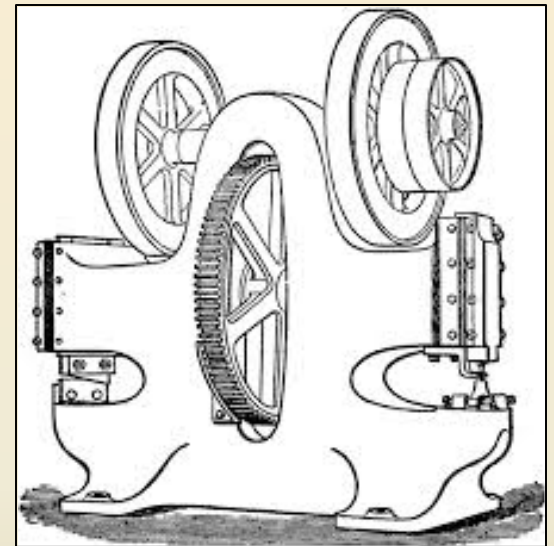
Note: 1 The quantity allowed above is **per kg. net content of the material** in the export product. The actual composition should be furnished by the applicant.

Note: 2. In case, the item of export is Anodised, an additional item " Stannous Sulphate" @ 1.04 kg/kg net content of the material in the export product will be allowed.

Note: 3. Powder for coating shall be allowed only if export product is powder coated.

WHAT IS THE EPCG SCHEME?

- ❑ Zero duty EPCG scheme allows import of capital goods for preproduction, production and post production (including CKD/SKD* thereof as well as computer software systems) at zero Customs duty, subject to an export obligation equivalent to 6 times of duty saved on capital goods imported under EPCG scheme, to be fulfilled in 6 years reckoned from Authorization issue-date (para 5.1 a of FTP)
- ❑ The scheme can be taken both post exports and pre exports
- ❑ The export obligation discharged would require fulfillment of specific export obligation in addition to the existing Average export performance over a period of three years



*Completely Knocked Down/ Semi Knocked Down

RESTRICTIONS UNDER THE EPCG SCHEME

- ❑ Period of import would be 9 months
- ❑ Exporters availing benefit under Technology Up gradation Fund Scheme ("TUFS") can also avail benefit of Zero duty EPCG Scheme
- ❑ Import of motor cars, SUV's, all purpose vehicles by hotels, travel agents, or tour or transport operators and companies owning/ operating golf resorts not allowed
- ❑ Export Obligation for domestic sourcing of capital goods under EPCG schemes has been reduced by 10% to encourage import substitution



WHAT ARE CHAPTER 3 INCENTIVE SCRIPS?

- ❑ Duty Credit Srips are provided for exports to focus products/ focus markets/ focus product in focus market/ other products and services etc to diversify markets and offset the disadvantage faced by exporters with regard to freight costs, transport hurdles and other disabilities
- ❑ Duty Credit Srips are issued under chapter 3 of the Foreign Trade Policy
- ❑ They are like debit notes which can be used to pay import duties
- ❑ The same shipping bill can be used to take any duty credit scrip in addition to discharging export obligation under advance authorization or EPCG scheme



INCENTIVE SCHEMES UNDER FTP

- ❑ Duty credit scrips are issued for merchandise exports:
 - ✓ Vishesh Krishi and Gram Udyog Yojana (VKGUY)
 - ✓ Focus Market Scheme (FMS)
 - ✓ Focus Product Scheme (FPS)
 - ✓ MLFPS
 - ✓ Incremental Exports Incentivisation Scheme
 - ✓ All the above schemes are mutually Exclusive schemes
- ❑ For service exports:
 - ✓ Served From India Scheme (SFIS)
- ❑ Status Holder Incentive Scrip (SHIS) for duty free import of capital goods (only for export performance till March 2013)

VISHESH KRISHI & GRAM UDYOG YOJANA (VKGUY)

- ❑ Post export duty credit scrips
- ❑ Exports of select fruits, vegetables, flowers, minor forest produce and forest based products, identified gram udyog products, marine products.
- ❑ Duty credit scrips:
 - ✓ @ 5% of FOB value
 - ✓ Special VKGUY @ 7% for specified products e.g. cut flowers, grapes (fresh or dried)
- ❑ Benefits on more than 1000 products are granted under the Scheme.
- ❑ List of items is in Appendix 37 A



FOCUS MARKET SCHEME (FMS)



- ❑ Objective is to diversify exports to non-traditional markets and to enhance India's export competitiveness in markets where presence is hindered by high freight cost and other related disabilities
- ❑ Benefit is 3% of FOB value of exports;
- ❑ Special Focus market rate is @ 5% for certain markets only e.g. Kazakhstan, Uruguay
- ❑ Documentation requirement:- Proof of Landing in the focus market
- ❑ List of Focus Markets is in Appendix 37C of Handbook of Procedures Vol I

FOCUS PRODUCT SCHEME (FPS)

To incentivize export of products which have high employment intensity in rural and semi-urban areas, so as to offset infrastructure inefficiencies and other associated costs involved in marketing

- ❑ Benefits @ 2% of FOB value of exports
 - ✓ Currently over 1300 Products (at 8 digit level) are covered
 - ✓ Sectors include leather/leather footwear, fire works, stationery items, handlooms, coir and engineering and a host of other products.
- ❑ Benefits @ 5% of FOB value of exports:- Special Focus Product like Toys, Sports Goods, Carpets, Handicrafts are entitled for benefit. Currently, more than 400 Products are covered.
- ❑ Additional 2% and 1% bonus to certain products like handicrafts (carpets) etc.
- ❑ List of products is in Appendix 37D



MARKET LINKED FOCUS PRODUCT SCHEME (MLFPS)

- ❑ Objective is to promote exports of products of high export potential but which have a low penetration in identified countries
- ❑ The benefit is given to specified product exported to specified markets e.g. bed spread of silk in USA, woven cotton fabrics in Sri Lanka
- ❑ Benefit is @ 2% of FOB value
- ❑ Currently more than 4000 products are covered

INCREMENTAL EXPORTS INCENTIVISATION SCHEME

- ❑ This scheme was launched in December 2012
- ❑ Duty credit scrip is @ 2% of incremental growth in exports from one period over another in the consequent year
- ❑ Exports to USA, Europe and Asian countries are covered in this scheme
- ❑ Exclusion include number of high value items, commodities and grains, third party exports, SEZ/EOU exports , exports of goods with a minimum export price etc.



SERVED FROM INDIA SCHEME (SFIS)

Objective is to accelerate growth in export of Services and to create a powerful and unique “Served from India” Brand



- ☐ The benefit is @10% of Free Foreign Exchange Earned.
- ☐ The benefit is excluded for certain sectors e.g. IT / Financial services. The eligible sectors are listed in Appendix 41
- ☐ The scrip can be used for duty waiver on import of Capital Goods, Office Equipments, Furniture and consumables(including liquor) etc which are used by the service provider
- ☐ These scrips are issued for inputs with actual user condition
- ☐ The scrip holder has to submit the proof of utilizing the duty credit for the import of allowed goods.

STATUS RECOGNITION AND PRIVILEGES

- ❑ The status certificate is given based on realized export performance in current plus last three years
- ❑ Double weight-age on these exports is allowed for Small Scale Industries, Agro Products, exports to specified markets etc.
- ❑ There are five categories of Status holder certificates



Status Category	Realized Export Performance FOB / FOR Value (Rupees in Crores)
Export House (EH)	20
Star Export House (SEH)	100
Trading House (TH)	500
Star Trading House (STH)	2500
Premier Trading House (PTH)	7500
Given a status, it is valid for 5 years (in the current policy)	

WHY TAKE STATUS CERTIFICATE?



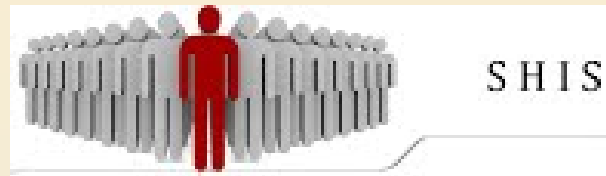
❑ Benefits

- ✓ Exemption from furnishing bank guarantee at the customs at the time of taking import duty waiver
- ✓ Can get Status Holder Incentive Scrip to pay import duty on import of capital goods
- ✓ A status holder has a relaxed criteria of 5 years to calculate average export performance under EPCG scheme as compared to 3 years for others
- ✓ The Status holder can have direct negotiation of documents with the buyer instead of necessarily going to the banks
- ✓ They enjoy in house stuffing facility for export cargo
- ✓ They can have 100% retention of foreign exchange in their Exchange Earner's Foreign Currency (EEFC) account

STATUS HOLDER INCENTIVE SCRIP (SHIS) SCHEME

(..... Just for Information !)

Objective was to promote investment for up gradation of technology in specified sectors



- ❑ It was a post export incentive scrip given to status holders since 2009
- ❑ The Status Holders were entitled to incentive scrips @1% of FOB value of exports in specified sector
- ❑ There was an Actual User condition; however limited transferability was allowed in 2012-13
- ❑ Scheme was valid for exports till 31.3.2013 only.

DEEMED EXPORTS

- ☐ “Deemed Exports” refer to those transactions in which goods supplied do not leave the country, and payment for such supplies is received either in Indian rupees or in free foreign exchange
- ☐ The supply of goods manufactured by Domestic Unit to Advance Authorization/ EPCG authorization holders, recognized projects which are otherwise entitled for Duty Free Imports are eligible for Terminal Excise Duty refund/ Drawback under the deemed exports benefit
- ☐ The purpose of this measure is to encourage Import Substitution
- ☐ Project Authority certificate is mandatory for claiming deemed export benefit. These projects should be supplied as per Finance Ministry rules



WHICH SUPPLIES ARE COVERED UNDER DEEMED EXPORTS

The following supplies are covered for Deemed export benefits:

- ☐ Supply of goods against Advance Authorization / Advance Authorization for annual requirement / DFIA;
- ☐ Supply of goods to EOU / STP / EHTP / BTP
- ☐ Supply of capital goods to EPCG Authorization holders
- ☐ Supply of goods to projects financed by multilateral or bilateral Agencies / Funds as notified by Department of Economic Affairs (DEA), Need for ICB procedure
- ☐ Supply of goods to any project or purpose in respect of which the MoF, by notification No. 12/2012 -Customs dated 17.3.2011- requirement of ICB
- ☐ Supply of marine freight containers by 100% EOU (Domestic freight containers-manufacturers)
- ☐ Supply to projects funded by UN Agencies
- ☐ Supply of goods to nuclear power projects through competitive bidding

*The supplies to SEZs are not deemed exports but physical exports

SOME INTERESTING POINTS

- ❑ You must understand the culture of the country to which you want to export
- ❑ You must know about Special Economic Zones (SEZs) since such SEZs have been created in many countries to boost exports

SIGNIFICANCE OF CULTURE



- ❑ Perhaps no area of international trade is less understood than culture. And yet, culture is a key influence on consumer behaviour.
- ❑ International marketing requires constant concern for different cultures and therefore requires adaptation.
- ❑ Serious cultural mistakes can negatively affect a relationship. So can a simple cultural blunder.

CLASSIC EXAMPLES OF CULTURAL DIVERSITY

- ❑ Never touch the head of a Thai or pass an object over it. The head is considered sacred in Thailand.
- ❑ Avoid using triangular shapes in Hong Kong, Korea, and Taiwan. It is considered a negative shape.
- ❑ The number 7 is considered bad luck in Kenya, good luck in Czech Republic and has a magical connotation in Benin, Africa.
- ❑ The number 10 is bad luck in Korea.
- ❑ The number 4 means death in Japan.
- ❑ Red represents witchcraft and death in many African countries.
- ❑ Red is a positive color in Denmark

THE ART OF NEGOTIATION ACROSS CULTURES

- ☐ We negotiate constantly in one form or another throughout our lives
- ☐ Negotiation should not be a matter of winning all you can at the expense of others
- ☐ Win-win negotiations are preferable
- ☐ Negotiating in a multicultural environment is more challenging than in a domestic environment



CULTURAL DIFFERENCES & INTERNATIONAL MARKETING

- ❑ Cross-cultural marketing involves learning how to adapt marketing strategies and communications to cultural differences



- ❑ Knowing cultural differences is fundamental for market research, strategy development, planning and implementation
- ❑ Local guidance essential to avoid costly marketing blunders

CULTURAL DIFFERENCES & INTERNATIONAL MARKETING

□ Issues:

- ✓ **Design:** product modifications may be required to meet regional needs
- ✓ **Colour:** colours used in packaging / marketing materials must be appropriate to target market
- ✓ **Music:** maintain cultural sensitivity when using music to deliver marketing messages

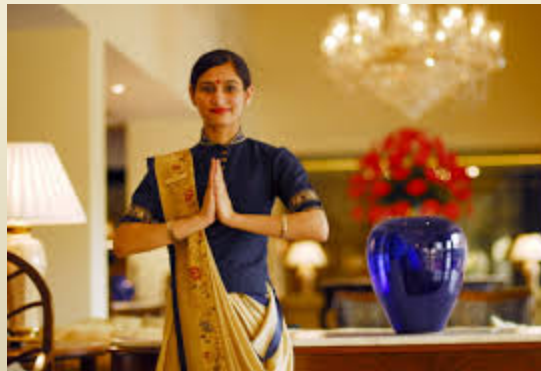
TIPS FOR AVOIDING CULTURAL MISSTEPS...

1. Don't view your culture as superior to that of others
2. Don't make overgeneralizations about countries and their cultures and keep your assumptions in check.
3. Think as an individual and interact with others as individuals.
4. Put yourself in another person's position and try to see their point of view.
5. Embrace the cultural differences you experience, and always think before you act. ...



...TIPS FOR AVOIDING CULTURAL MISSTEPS

6. Don't use the standards of your culture to evaluate the advantages and disadvantages of other cultures
7. Get advice and involve others in situations you do not understand or find uncomfortable.
8. Never attack or blame another person's culture if you believe that person's actions or behaviour is wrong or misguided.



SPECIAL ECONOMIC ZONES



- ❑ Special Economic Zones(SEZ) are outside custom borders and are treated as foreign territories within the country
- ❑ You can set up your unit in SEZ to avail various benefits under the SEZ policy.
- ❑ Of the 585 SEZs approved, 381 have been notified of which 143 SEZs are already exporting.
- ❑ SEZs now export in excess of Rs. 3,00,000 crore accounting for over 28% of the country's total exports.
- ❑ SEZs today provide direct employment to over 7,00,000 persons

WHY ARE SPECIAL ECONOMIC ZONES DIFFERENT?

- ❑ Services and Manufacturing units can be set up.
- ❑ All sale of goods from Domestic Tariff Area (DTA) to the SEZ units to be treated as physical exports and are entitled to all export benefits.
- ❑ Single window Clearance available
- ❑ Import and export movements of goods are based on self certification

A SEZ IS AIMED TO BE A SELF SUFFICIENT UNIT

- ❑ No customs duty on import of capital goods related to production
- ❑ Domestic Sales allowed on payment of applicable duty
- ❑ Flexibility to keep 100% of export proceeds in Foreign Currency Account
- ❑ Support service like banking, post office, clearing agents etc. will provided in Zone
- ❑ Exemption from certain taxes and other benefits

WHAT ARE THE TAX INCENTIVES FOR AN SEZ UNIT?

- ❑ Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units
- ❑ 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
- ❑ Exemption from Central Sales Tax.
- ❑ Exemption from Service Tax.
- ❑ Single window clearance for Central and State level approvals.
- ❑ Exemption from State sales tax and other levies as extended by the respective State Governments.



START EXPORTS
NOW!