

EXPORT PROMOTION COUNCIL FOR EOUs & SEZs

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Sub : Release of Foreign Trade Policy 2015-2020

Mrs.NirmalaSitharaman, Hon'ble Minister for Commerce & Industry released the much awaited Foreign Trade Policy 2015-2020 on April 1, 2015 at New Delhi.

In this FTP, following changes were made with regard to EOUs & SEZs:-

1) Special Economic Zones

a) Introduction of Merchandise Export from India Scheme (MEIS)

Earlier there were 5 different schemes (Focus Product Scheme, Market Linked Focus Product Scheme, Focus Market Scheme, Agri. Infrastructure Incentive Scrip, VKGUY) for rewarding merchandise exports with different kinds of duty scrips with varying conditions (sector specific or actual user only) attached to their use. Now **all these schemes have been merged into a single scheme, namely Merchandise Export from India Scheme (MEIS)** and there would be no conditionality attached to the scrips issued under the scheme. The main features of MEIS, including details of various groups of products supported under MEIS and the country groupings are at Annexure-1. **The incentives under MEIS Scheme will be available to SEZs also.**

Rewards for export of notified goods to notified markets under 'Merchandise Exports from India Scheme (MEIS) shall be payable as percentage of realized FOB value (in free foreign exchange). The debits towards basic customs duty in the transferable reward duty credit scrips would also be allowed adjustment as duty drawback. At present, only the additional duty of customs / excise duty / service tax is allowed adjustment as CENVAT credit or drawback, as per Department of Revenue rules.

b) Introduction of Service Export from India Scheme (SEIS)

Service Exports from India Scheme (SEIS) (a) Served From India Scheme (SFIS) has been replaced with Service Exports from India Scheme (SEIS). SEIS shall apply to 'Service Providers located in India' instead of 'Indian Service Providers'. Thus SEIS provides for rewards to all Service providers of notified services, who are providing services from India, regardless of the constitution or profile of the service provider. The list of services and the rates of rewards under SEIS are at Annexure-II. (b) The rate of reward under SEIS would be based on net foreign exchange earned. The reward issued as duty credit scrip, would no longer be with actual user

condition and will no longer be restricted to usage for specified types of goods but be freely transferable and usable for all types of goods and service tax debits on procurement of services / goods. Debits would be eligible for CENVAT credit or drawback. **The incentives under SEIS Scheme will be available to SEZs also.**

c) Duty credit scrips to be freely transferable and usable for payment of custom duty, excise duty and service tax.

(i) All scrips issued under MEIS and SEIS and the goods imported against these scrips would be fully transferable. (ii) Scrips issued under Exports from India Schemes can be used for the following:- (a) Payment of customs duty for import of inputs / goods including capital goods, except items listed in Appendix 3A. (b) Payment of excise duty on domestic procurement of inputs or goods, including capital goods as per DoR notification. (c) Payment of service tax on procurement of services as per DoR notification. (iii) Basic Customs Duty paid in cash or through debit under Duty Credit Scrip can be taken back as Duty Drawback as per DoR Rules, if inputs so imported are used for exports.

2) Export Oriented Units

(a) EOUs, EHTPs, STPs have been allowed to share infrastructural facilities among themselves. This will enable units to utilize their infrastructural facilities in an optimum way and avoid duplication of efforts and cost to create separate infrastructural facilities in different units.

(b) Inter unit transfer of goods and services have been allowed among EOUs, EHTPs, STPs, and BTPs. This will facilitate group of those units which source inputs centrally in order to obtain bulk discount. This will reduce cost of transportation, other logistic costs and result in maintaining effective supply chain.

(c) EOUs have been allowed facility to set up Warehouses near the port of export. This will help in reducing lead time for delivery of goods and will also address the issue of unpredictability of supply orders.

(d) STP units, EHTP units, software EOUs have been allowed the facility to use all duty free equipment/goods for training purposes. This will help these units in developing skills of their employees. 13

(e) 100% EOU units have been allowed facility of supply of spares/ components up to 2% of the value of the manufactured articles to a buyer in domestic market for the purpose of after sale services.

(f) At present, in a period of 5 years EOU units have to achieve Positive Net Foreign Exchange Earning (NEE) cumulatively. Because of adverse market condition or any ground of genuine hardship, then such period of 5 years for NFE completion can be extended by one year.

(f) Time period for validity of Letter of Permission (LOP) for EOUs/EHTP/ STPI/BTP Units has been revised for faster implementation and monitoring of projects. Now, LOP will have an initial validity of 2 years to enable the unit to construct the plant and install the machinery. Further extension can be granted by the Development Commissioner up to one year. Extension beyond 3 years of the validity of LOP, can be granted, in case unit has completed 2/3rd of activities, including the construction activities.

(g) At present, EOUs/EHTP/STPI units are permitted to transfer capital goods to other EOUs, EHTPs, STPs, SEZ units. Now a facility has been provided that if such 14 transferred capital goods are rejected by the recipient, then the same can be returned to the supplying unit, without payment of duty.

(h) A simplified procedure will be provided to fast track the de-bonding / exit of the STP/ EHTP units. This will save time for these units and help in reduction of transaction cost. (i) EOUs having physical export turnover of Rs.10 crore and above, have been allowed the facility of fast track clearances of import and domestic procurement. They will be allowed fast tract clearances of goods, for export production, on the basis of pre-authenticated procurement certificate, issued by customs / central excise authorities. They will not have to seek procurement permission for every import consignment.

This is for kind information of the members.

Annexure I

(1) Products supported under MEIS Level of Support:

Higher rewards have been granted for the following category of products:

- Agricultural and Village industry products, presently covered under VKGUY.
- Value added and packaged products.
- Eco-friendly and green products that create wealth out of waste from agricultural and other waste products that generate additional income for the farmers, while improving the environment.
- Labour intensive Products with large employment potential and Products with large number of producers and /or exporters.
- Industrial Products from potential winning sectors.
- Hi-tech products with high export earning potential.

(2) Markets Supported

- Most Agricultural products supported across the Globe.
- Industrial and other products supported in Traditional and/or Emerging markets only

(3) High potential products not supported earlier:

- Support to 852 Tariff lines that fit in the product criteria but not provided support in the earlier FTP. Includes lines from Fruits, Vegetables, Dairy products, Oils meals, Ayush& Herbal Products, Paper, Paper Board Products.

(4) Global support has been granted to the following category:

- Fruits, Flowers, vegetables
- Tea Coffee, Spices
- Cereals preparation, shellac, Essential oils
- Processed foods,
- Eco Friendly products that add value to waste
- Marine Products
- Handloom, Coir, Jute, products and Technical Textiles, Carpets Handmade. Other Textile and Readymade garments have been supported for European Union, USA, Canada and Japan.
- Handicraft, Sports Goods
- Furniture, wood articles

(5) Support to major markets have been given to the following product categories

- Pharmaceuticals, Herbals, Surgicals
- Industrial Machinery, IC Engine, Machine tools, Parts, Auto Components/Parts
- Hand Tools, Pumps of All Types
- Automobiles, Two wheelers, Bicycles, Ships, Planes
- Chemicals, Plastics
- Rubber, Ceramic and Glass
- Leather garments, saddlery items, footwear
- Steel furniture, Prefabs, Lighters
- Wood , Paper, Stationary
- iron, steel, and base metals, products

Annexure II

Services Exports from India Scheme (SEIS)

- (i) The rate of reward under SEIS would be based on net foreign exchange earned. The reward issued as duty credit scrip, would no longer be with actual user condition and will no longer be restricted to usage for specified types of goods but be freely transferable and usable for all types of goods and service tax debits on procurement of services/goods. Debits would be eligible for CENVAT credit or drawback.
- (ii) The present rates of reward are 3% and 5%. The list of services and the rates of rewards would be reviewed after 30.9.2015.

S.No.	Sector	Admissible Rate
1	BUSINESS SERVICES	
A	Professional services Legal services, Accounting, auditing and bookkeeping services, Taxation services, Architectural services , Engineering services, Integrated engineering services, Urban planning and landscape architectural services, Medical and dental services, Veterinary services, Services provided by midwives, nurses, physiotherapists and paramedical personnel.	5%
B	Research and development services R&D services on natural sciences, R&D services on social sciences and humanities, Interdisciplinary R&D services	5%
C	Rental/Leasing services without operators Relating to ships, Relating to aircraft, Relating to other transport equipment, Relating to other machinery and equipment	5%
D	Other business services Advertising services, Market research and public opinion polling services Management consulting service, Services related to management consulting, Technical testing and analysis services, Services incidental to agricultural, hunting and forestry, Services incidental to fishing, Services incidental to mining, Services incidental to manufacturing, Services incidental to energy distribution, Placement and supply services of personnel, Investigation and security, Related scientific and technical consulting services, Maintenance and repair of equipment (not including maritime vessels, aircraft or other transport equipment), Buildingcleaning services, Photographic services, Packaging services, Printing, publishing and Convention services	3%
2	COMMUNICATION SERVICES Audiovisual services Motion picture and video tape production and distribution service, Motion picture projection service, Radio and television services, Radio and television transmission services, Sound recording	5%
3	CONSTRUCTION AND RELATED ENGINEERING SERVICES General Construction work for building, General Construction work for Civil Engineering, Installation and assembly work , Building completion and finishing work	5%
4	EDUCATIONAL SERVICES (Please refer Note 1) Primary education services, Secondary education services, Higher education services, Adult education	5%
5	ENVIRONMENTAL SERVICES Sewage services, Refuse disposal services, Sanitation and similar services	5%
6	HEALTH-RELATED AND SOCIAL SERVICES Hospital services	5%
7	TOURISM AND TRAVEL-RELATED SERVICES	
A	Hotels and Restaurants (including catering)	
	a. Hotel	3%
	b. Restaurants (including catering)	3%
B	Travel agencies and tour operators services	5%
C	Tourist guides services	5%

8	RECREATIONAL, CULTURAL AND SPORTING SERVICES (other than audiovisual services) Entertainment services (including theatre, live bands and circus services), News agency services, Libraries, archives, museums and other cultural services, Sporting and other recreational services	5%
9	TRANSPORT SERVICES (Please refer Note 2)	
A	Maritime Transport Services Passenger transportation*, Freight transportation* , Rental of vessels with crew *, Maintenance and repair of vessels, Pushing and towing services, Supporting services for maritime transport	5%
B	Air transport services Rental of aircraft with crew, Maintenance and repair of aircraft, Airport Operations and ground handling	5%
C	Road Transport Services Passenger transportation, Freight transportation, Rental of Commercial vehicles with operator, Maintenance and repair of road transport equipment, Supporting services for road transport services	5%
D	Services Auxiliary To All Modes Of Transport. Cargo-handling services, Storage and warehouse services, Freight transport agency services	5%

Note: (1) Under education services, SEIS shall not be available on Capitation fee.

(2) *Operations from India by Indian Flag Carriers only is allowed under Maritime transport services.