



Chat ONLINE

FIEO offers you opportunity to Chat Online every Wednesday between 3 to 5 pm (IST) with Mr. Ajay Sahai, DIRECTOR GENERAL (FIEO) on issues related with foreign trade.

Mr. Sahai has served many important offices in various capacities. As Jt. DGFT (Policy), during 1996-2003, he was closely associated with the formulation of the Exim Policy.

Feel free to seek clarifications/advice from Mr. Sahai on issues related to foreign trade. All that you need to do is to just click 'FIEO Online Chat Service' at www.fieo.org. Some portions of the Chats held last weeks are reproduced here.

We are a Gold Card holder exporter who want to take post shipment credit from our bank. What is the period for which we can take such credit?

For a normal exporter, availability of post shipment credit has been extended from 90 days to 180 days. However, in respect of the Gold Card holders, the concessional rate of interest on post-shipment rupee export credit applicable up to 90 days has been extended for a maximum period up to 365 days.

We are from Surat. Our bankers are not extending interest subvention benefit and they insist that this benefit will be given only when they claim the subvention from RBI. Is It correct?

Banks are required to pass on the benefit of 2% interest subvention fully to the eligible exporters upfront and submit the claims to the RBI for reimbursement duly certified by an independent auditor. The subvention would be reimbursed by the RBI on the basis of quarterly claims submitted by the banks.

While calculating bank guarantee (BG) for execution with Customs against Advance Authorisation or EPCG, are we required to calculate the interest also along with duty

saved amount?

For calculating the BG amount, you have to calculate only the duty exemption amount on which you will be claiming exemption. Interest may not be included in the calculation to arrive at the BG amount. For example, if the CIF value of goods imported under the above scheme is Rs 25 lakh and the duty exempted amount is Rs 7.5 lakh, the BG should be executed for Rs 7.5 lakh only. However, the bond executed should include a condition that the interest and other charges as applicable will be paid by you in case of non-compliance of the conditions of the notification.

Where can we obtain such a clarification?

Please see Customs Circular 4/2009 dated 28 January, 2009 issued by CBEC which is available at www.cbec.gov.in.

We are getting the payment through banks. Some of the bankers have suggested that after getting advance payment we can send the documents directly. Please advise us in the matter.

As per the RBI regulation released on 1-7-04, in case of 100% advance remittance, document in respect of goods exported can be sent by the exporter to the consignee. Please see the Reserve

Bank's master circular dated 1-7-2009. However, in case you are a Status Holder, you can send the documents directly in all cases, including advance payment or otherwise.

In case of multiple services provided by a service provider, is separate registration service tax certificate required for each service?

As per sub-rule (4) of rule 4 of the Finance Act, 1994, only one registration certificate is to be taken even if the person provides more than one service from the same premises for which registration is sought. However, while making application for registration all taxable services provided by the person should be mentioned.

What are the rules for reduction of the value of an invoice after it is sent for collection?

You can reduce the value up to 10% of invoice value subject to the conditions that (a) the exported commodity was not subject to floor price, (b) the exporter is not in the caution list of RBI and (c) proportionate export incentives availed on such value is surrendered. However, exporters in export business for more than three years are not subject to 10% restriction and can give reduction without limit subject to stipulated conditions.

We have been a regular exporter of carpets for the last five years .Our buyer wants to send samples of hand knotted carpets to us for development of similar carpets for exports to him. How can we import them duty free?

Carpet exporters are allowed duty free imports of hand knotted carpets up to 1% of FOB value of their exports of carpets during the preceding financial year. You can import samples of hand-knotted carpets under the above scheme. For details please see Customs Notification 21/20002 dated 1.3.2002 (Serial Number 167 C read with condi-

tion 21 C).

8 What is the threshold limit for MSME units?

As per MSME Act, the definition of MSME units is as follows:

The DGFT field office while refunding TED under the Deemed Exports category is not refunding secondary and higher Education Cess paid by us as they interpret that the refund is only of Excise Duty.

cluding Secondary and Higher Education Cess paid along with excise duty may be refunded. The DGFT thereafter clarified by Policy Circular 11 dated 13 October 2009 that the letter dated 11.4.2008 issued to all RAs was clarificatory in nature and therefore claims filed before that date for refund of Secondary and Higher education Cess are also eligible for refund.

We have done International Competitive Bidding to procure electro-mechanical equipment for our 5mw power project. We have also placed Engineering and Procurement Contract (EPC) for this supply. Are we entitled for excise duty drawback in term of the Foreign Trade Policy 2009-2014, if our supplier has supplied all the equipment indigenously to our power project?

Paragraph 8.4.4 (iv) of the Foreign Trade Policy is clear. Supply of Capital goods and spares up to 10% of FOR value of capital goods to power projects in terms of paragraph 8 .2(g), shall be entitled for deemed export benefits provided the ICB procedures have been followed at Independent Power Producer (IPP) /Engineering and Procurement Contract (EPC) stage. Therefore, if you have EPC, you can claim deemed exports benefit including deemed exports drawback.

What is the new rate of interest of Export Credit in Foreign Currency? Please let us know its effective date and tenure for which such credit can be obtained?

The RBI has recently reduced the interest on Export Credit in Foreign Currency from LIBOR +350 basis points to LIBOR+ 200 basis points subject to the condition that the banks will not levy any other charges viz. service charge, management charge etc except out of pocket expenses. These rates are applicable to fresh advances made on or after 19 February 2010. The details of rates are as follows:

The stand of the field office is not correct. In policy circular No. 15 dated 4 July 2005 it was clarified that in terms of Para 8.3(b) & (c) of the Foreign Trade Policy 2004-09, the Education Cess paid along with excise duty for supplies made under deemed export are eligible for deemed export drawback and refund of terminal excise duty subject to fulfillment of conditions mentioned against the relevant provisions. Subsequently, after introduction of Secondary and Higher Education cess in the Budget 2007, the DGFT clarified vide letter no 01/92/180/92/AM 05/PC VI dated 11th April 2008 that the Education Cess, in-

What are the sectors which are eligible for 1% Status Holder Incentive Scrip benefit?

Status holder against exports of the products of the sectors, namely, leather (excluding finished leather), textiles and jute, handicrafts, engineering (excluding iron and steel, non ferrous metals in primary or intermediate forms, automobiles and two-wheelers, nuclear reactors and parts and ships, boats and floating structures), plastic and basic chemicals (excluding pharma products) are eligible for 1% status holder incentive scrip.

It is not clear whether the benefit of Status Holders Incentive Scrip

Classification	Investment Ceiling for Plant, Machinery or Equipment* [@]	
	Manufacturing Enterprises	Service Enterprises
Micro	Investment in plant and machinery up to Rs 25 lakh	Investment in equipment up to Rs 10 lakh
Small	Investment in plant and machinery above Rs 25 lakh and up to Rs 5 crore	Investment in equipment above Rs 10 lakh and up to Rs 2 crore
Medium	Investment in plant and machinery above Rs 5 crore and up to Rs 10 crore	Investment in equipment above Rs 2 crore and up to Rs 5 crore

		Interest rates (per annum)
1.	Pre-shipment Credit	
(a)	Up to 180 days	Not exceeding 200 basis points over LIBOR/ EURO LIBOR/ EURIBOR
(b)	Beyond 180 days and up to 360 days	Rate for an initial period of 180 days prevailing at the time of extension plus 200 basis points
2.	Post-shipment Credit	
(a)	On demand bills for transit period (as specified by FEDAI)	Not exceeding 200 basis points over LIBOR/ EURO LIBOR/ EURIBOR
(b)	Usance bills (credit for total period comprising usance period of export bills, transit period as specified by FEDAI and grace period wherever applicable) Up to 6 months from the date of shipment	Not exceeding 200 basis points over LIBOR/ EURO LIBOR/ EURIBOR
(c)	Export bills (demand or usance) realised after due date but up to date of crystallisation	Rate for 2(b) above plus 200 basis points
3.	Export Credit Not Otherwise Specified (ECNOS)	
(a)	Pre-shipment credit	Free @
(b)	Post-shipment credit	Free @

[@] Banks are free to decide the rate of interest being rupee credit rate keeping in view the BPLR and spread guidelines.

To Status Holders will be given for exports from 27 August 2009 or from the earlier period?

Since Status Holder Incentive Scrip has been provided for exports made during 2009-10 and 2010-11, the benefit will be available on exports made on or after 1.4.2009. Moreover, wherever the benefit has been given for exports made from 27.8.2009 like Focus Products Schemes, Focus Market Scheme and Market Linked Focus Products Scheme, there is specific pro-

vision to this effect in the respective schemes also.

We want import inputs which are subject to anti-dumping duty on payment of anti-dumping duty which we would be exporting under Duty Drawback after due manufacturing. How can we get a refund of anti-dumping duties paid on input?

Since anti-dumping duty on any input is country and manufacturer specific,

the refund of anti-dumping duties can take place only under brand rate of drawback (and not under All Industry Drawback) for which you have to provide details of consumption of inputs in the export products, evidence showing payment of anti-dumping duties etc. Alternatively, you can import the goods without paying anti-dumping duties under advance authorization or under pre-exports duty free import authorization (DFIA) scheme. However, in such case exports shall take place under these respective schemes only. ■

ATTENTION: TRAVEL & TOURISM PROFESSIONAL



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For participation / details, please contact:

MRD Division, FIEO

at Tel: 011 46042136-38, 46042119, Fax: 011 26148194,

Email: nirmalatete@fieo.org; vinodpal@fieo.org

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