



# 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](http://www.fieo.org). Some portions of the Chats held last weeks are reproduced here.

### ***FIEO's expert answers queries by exporters from various parts of the country.***

#### **We want to import cosmetics into India from Egypt. What are the conditions for importing cosmetics in India?**

The import of cosmetics in India is free and it does not require permission or licence to import. However, in terms of Rule 133 of the Drugs and Cosmetics Rules 1945, no cosmetic can be imported into India except through the points of entry specified in Rule 43A of the said Rules. The points of entry have been specifically mentioned in Rule 43A: Chennai, Kolkata, Mumbai, Nhava Sheva, Cochin, Kandla, Delhi, Ahmedabad, Hyderabad Cantt, Ferozpur Cantt, Amritsar, Ranaghat, Bongaon and Mohiassan railways stations. Import of cosmetics at points of entry places other than those specified above will not be permitted as per the provisions of the Drugs and Cosmetics Rules 1945.

#### **We have an advance authorisation for duty free imports where we are required to execute a bank guarantee as we are a new exporter. How should we calculate the value of the guarantee? Should we factor the interest component also for two years as the export obligation period is two years?**

The Bank Guarantee in the instant case will be equivalent to the duty ordinarily leviable on the goods but for

the exemption. Therefore, if the normal applicable duty on such imported inputs comes to Rs 5,00,000, the Bank Guarantee should be equivalent to Rs 5,00,000. There is no need to add the interest component in the guarantee. However, the bond to be executed along with the Bank Guarantee should include a condition that the interest and other charges as applicable will be paid by the authorization holder in case of non compliance of the conditions of the notifications in respect of advance authorization.

#### **We have imported some goods against Focus Product Scrip which are found defective. Can we re-export them and get refund of duty? What are the conditions of such exports?**

Goods imported under reward schemes (FMS / FPS / SHIS/ VKGUY / SFIS) which are defective or unfit for use can be re-exported. Re-export of goods should take place from the same port from where the goods were imported and should meet the following conditions;

1. The goods are re-exported within 6 months from the date of import;
2. The Deputy Commissioner/Assistant Commissioner of Customs, as the case may be, is satisfied about the identity of the goods; and
3. The goods were not put into use

after import.

The exporter in such cases was to be given a credit entitlement certificate equal to 98% of the debit made at the time of import by the Jurisdictional Commissioner of Customs provided the exporter fulfils the above criteria.

#### **We have imported goods on payment of anti-dumping duties. These goods would be used in manufacturing and exporting under Drawback after due manufacturing. How can we get a refund of anti-dumping duties?**

Since anti-dumping duties on any input is country and manufacturer specific, the refund of anti-dumping duties can be taken only under brand rate of Drawback for which you have to provide details of consumption of inputs in the exported products, evidence showing payment of anti-dumping duties etc. An exporter can import the goods without paying anti-dumping duties also under advance authorization or under pre-exports duty free import authorization scheme.

#### **We are a merchant exporter that procures the goods from the local market and export. Are we eligible for full All Industry Drawback or only the Customs portion of Drawback?**

Merchant exporters who purchase

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**निर्यातकों के लिए  
कैश प्रूफ  
सुरक्षा.**

निर्यातकों को अब भारतीय निर्यात ऋण गारंटी निगम लिमिटेड (ईसीजीसी) की ओर से मिलेगा कैश प्रूफ संरक्षण. आर्थिक मंदी का दौर किसी निर्यातक के कारोबार को बुरी तरह प्रभावित कर सकता है. जैसे कि हाल ही में कुछ देशों में अचानक उत्पन्न हुई कर्ज की स्थिति. इससे कई बार अपने कारोबार को बंद करने की भी नौबत आई है. खैर, अब और नहीं ई सी जी सी का ऋण बीमा आपको उन अर्थव्यवस्थाओं के उतार चढ़ाव हेतु संरक्षित करेगा, जहाँ आप निर्यात करते हैं. अब अर्थव्यवस्था में मंदी से अपने धन के डूब जाने की चिंता को भूल जाइए. हमारा संरक्षण आपकी सिर्फ अनिश्चितता को ही नहीं मिटाता है, बल्कि चिंता से भी मुक्ति देता है. आप स्वयं इसे महसूस करेंगे.

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goods from the local market for export is entitled to the full rate of Duty Drawback (including the excise portion). However, such merchant exporters shall have to declare at the time of export, the name and address of the trader from whom they have purchased the goods. They have to declare that no rebate (input rebate and also the final product rebate) shall be taken against the shipping bills under which they are exporting the goods. The merchant exporters who purchase goods from traders may therefore furnish the declaration, at the time of export in the format prescribed for this purpose.

**Can you let us know where can we find the prescribed format so that we can start giving such declaration for future shipments?**

The format of the declaration is given in Customs Circular 16/2009 dated 25th May 2009 which can be accessed at CBEC website [www.cbec.gov.in](http://www.cbec.gov.in).

**Has filing of Service Tax electronically been made mandatory for everyone?**

Filing of Service Tax electronically through internet banking has been made mandatory for an assessee who

has paid a total service tax of Rs 10,00,000 or more including the amount paid by utilisation of CENVAT credit, in the preceding financial year. Such assessee shall have to file service tax electronically through internet banking with effect from the 1st day of April, 2010.

**Can we invoice in Indian rupee so that we safeguard ourselves against exchange risk?**

There is no restriction on invoicing of export contracts in Indian rupees under the Foreign Exchange Management Act 1999. Further, in terms of Para 2.40 of the Foreign Trade Policy export contracts and invoices can be denominated either in freely convertible currency or in Indian rupees but export proceeds shall be realised in freely convertible currency. However, export proceeds against specific exports may also be realised 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, Nepal or Bhutan.

**As an exporter, we give discount of about 12% to our foreign buyer. We have been informed that even on discount given to buyers, we are eligible to claim export benefit. What is the correct position?**

Discounts are excluded from the FOB value of exports and therefore, the value of discount offered by you has to be deducted from the FOB value of exports. However, commission up to 12.5% of the FOB value is considered part of the FOB for getting benefits under the Foreign Trade Policy as well as Duty Drawback.

**What is the scheme of interest subvention for exports and which**

**sectors are eligible for the same?**

The Government of India has extended the Interest Subvention of 2 percentage points on pre and post shipment rupee credit, for certain employment oriented export sectors such as Handicrafts, Carpets, Handlooms and manufacturer exporters in Small & Medium Enterprises (SME). Such sectors will now get credit at the interest rate not exceeding BPLR minus 4.5 percentage points on pre-shipment credit up to 270 days and post-shipment credit up to 180 days on the outstanding amount for the period April 1, 2010 to March 31, 2011.

**What will be the effect of adoption of base rate by banks on export credit and interest subvention?**

The base rate will do away with the concessional export credit presently available to the exporters. Exporters at present get pre and post shipment credit at benchmark prime lending rate minus 2.5%. With the introduction of base rate from 1st of July, 2010, the same will be deregulated and exporters will be granted export credit either at the base rate or above the base rate. The interest subvention for the sectors already mentioned in the previous answer shall, however, continue.

**What is the benefit extended by the Government for exports of apparel to Europe?**

The Government has extended the benefit of Market Linked Focus Product Scheme to Apparel (falling under Chapter 61 and 62 of ITC[HS] Products) exports to all 27 EU countries and the US with effect from 1st April to 30th September 2010. Such exports will be eligible for 2% duty free authorization which is freely transferrable. ■

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