

DETAILED RECOMMENDATIONS FOR FOREIGN TRADE POLICY 2009-10

| Problem | Present Status | Suggestion |
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| <p>Import of capital equipments under zero percent EPCG was withdrawn during the year 2002 policy changes. This has adversely affected and discouraged good performers. Electronic Component Industry is a highly capital intensive industry and also the obsolescence is very high. The industry has to compete with major players in the countries like Taiwan, China and South Korea. There is the imperative to upgrade machines meeting the latest technological developments.</p> | <p><u>EPCG Scheme: Chapter 5 (Policy No:5.1)</u> Present scheme allows import of capital goods for pre production, production and post production (Including CKD/SKD thereof as well as computer software system) at 3% custom duty subject to an export obligation equivalent to 8 times of duty saved on capital goods imported under EPCG scheme to be fulfilled over a period of 8 years reckoned from the date of issuance of authorization.</p> | <p>Re-introduce Zero duty scheme which will encourage good manufacturer exporters to cut their capital cost as well as to bring more foreign currency to the country by increased exports.</p> |
| <p><u>Export obligation under EPCG Scheme:</u> Nexus between capital goods allowed under EPCG Authorisation and products manufactured and exported is allowed on the basis of the certificate of a Chartered Engineer. Para 5.4 of the FTP</p> | <p>Most of the exports of other products made by the authorization holder as well as the group companies are not considered for the benefit under EPCG authorization. In case a company loses an export order, they do not have option to fulfill the EO by way of export of other products/ export of group companies in the present scenario. Customs clearance problems faced in case of export of products other than the products allowed under the authorities.</p> | <p>Suitable amendments are required in the Policy in view of the present para 5.4 of the FTP, which states that the export obligation can be fulfilled by export of other products or export by group companies also. Suitable modification is also required in the E-commerce application/ Ayaat Niryaat Form for redemption. Else the conditions under para 5.4 of FTP remain ambiguous.</p> |
| <p>DEPB Rates Clause 4.3 of Policy</p> | <p>Presently DEPB rates for the component industry are at varying rates. For PCB industry, the rate is 4%. With the rupee being stronger, the realization is lesser which affects competitiveness.</p> | <p>We find that only some tinkering has been done in DEPB Rates. ELCINA pleads that electronic industry should be considered for increased rates ranging from a minimum 5% & upto 10% to compensate the effect of lower realization from export.</p> |

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| <p>A number of ELCINA Members, who are EHTP/EOU units, have represented that for their DTA Sales to Defence Production and Research Units, they are not allowed any excise exemption. On the other hand, such Defence Production and Research Organisations have been specifically given excise exemption under Notification No.10/97 CE dated 01-03-97, 64/95 CE dated 16-03-95, 6/2006-CE dated 01-03-2006 for duty free procurement from domestic market as well as custom duty exemption Notification No.39/96-cus dated 23-07-1996 ,50/96 –cus dated 23-07-96 for duty free import. Their final products have also been exempted from Central Excise duty vide Notification No. 62/95 CE dated 16-03-1995.</p> | <p>In the light of the above duty exemption Notifications, units engaged in defense production, research projects etc prefer to procure input either from Non-EOU/EHTP unit or import from overseas market rather than from EOU/EHTP unit ,since their products attract Excise duty ie. (50%of Custom duty+8% Excise duty+2% ED Cess+1%SHE + 2% EDcess +1% SHE).</p> <p>As a result, local manufacturers have been losing large volume of orders from Bharat Electronics LTD, Bharat Dynamic Ltd, HAL, Indian Space research Organization, ISRO etc. Our members have become victims of the global recession, apart from the fallacy in the policy, which permits duty free imports, but discourages local manufacture with no excise relief to counter free imports.</p> | <p>In order to protect the interests of the EOU/EHTP unit, ELCINA seeks an amendment in Section 5A of the Central Excise act 1944. Amendment in Para 6.8 of Foreign Trade Policy (2009-14) – DTA Sales of finished Products/Rejects etc. is suggested as follows:- “DTA Sales of EOU/EHTP units specially to Defence Production and Research Projects may be permitted without payment of duty. Duty exemption is necessary for procurement of inputs from DTA as well as through imports, with appropriate Notifications issued by Central Excise and Customs.</p> |
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RECOMMENDATIONS FOR EHTP UNITS

The EHTP scheme was introduced to encourage export of electronic hardware from India even if the value addition was low (5%). Procedural problems and restrictions of the scheme have not allowed us to reach the full potential. Details are as under:

| Problem | Present Status | Suggestion |
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| <p>a) Procedure complications during import</p> | <p>a) For every import into EHTP permission from STPI and excise authorities is needed. Permission in the form of Procurement Certificate from Excise Range office is sent by post to respective Port or Airport. This procedure not only delays customs clearance cycle time but also jeopardizes export production</p> | <p>a) Obtaining Procurement Certificate from Excise authorities should be dispensed with as this procedure does not add any value but delays entire manufacturing process of the unit. If required a list of items to be procured by any unit should be attested by STPI once to certify raw materials and other inputs to be used by the unit</p> |

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| <p>b) Loss of Cenvat on rejected/ returned consignment sold in DTA.</p> <p>c) Processing of semi-finished products .e.g. testing/marketing/ packing etc. can also be used to enhance production/range while achieving value addition norms.</p> | <p>schedule. Any urgent or critical part of a machine cannot be procured quickly</p> <p>b) CENVAT credit facility is not available to EOU/EHTP units, wjchic have to absorb excise duty components levied on return shipment.</p> <p>c) Semi-finished components (Transistors, Diodes, Resistors, Capacitors and Triacs etc.) cannot be imported into EHTP unit as final product would also be the same as input. Customs notification # 52/2003 dated 31st March 2003 does not have any provision to import such item where import and export item is the same and falls under same tariff head (8541)</p> | <p>b) CENVAT credit facility should also be extended to EOU /EHTP units in such situations.</p> <p>c) <i>Subject to the transaction not being pure trading and involving technical input</i>, suitable provision should be made in Foreign Trade Policy and customs notification # 52/2003 should also be amended to allow import of semi finished components where further processes like testing, marking, re-packing and branding would be done.</p> |
| <p>Imported RM/Components are available with other Divisions/ Locations of own companies or other companies within the same group can be utilized in cases of material shortages faced by such units in order to service the export orders by such units expeditiously.</p> <p>Clause 6.15</p> | <p>The current procedure requires units to seek the approval of Dy. Commissioner of Customs or Excise for such transfers. The process takes a long time and defeats the purpose of such requests, resulting in loss of export orders and reputation in the International markets.</p> | <p>Add the following after Para 6.15 (a) (iii):- “Provided further that imported material may be transferred to other EOU /EHTP /STP /BTP/SEZ units being Divisions of the Same company or Companies of the same group without any prior approval requirements of the Customs/Excise in such cases but on the basis of presentation of proper documents as may be prescribed in this respect.”</p> |
| <p>For each import by EOUs, the Procurement Certificate is required from Customs/Excise offices, which is issued without any attestation by Dev Comm office. However, in case of STP/EHTP units, the Procurement Certificate is issued only after the attestation</p> | <p>This is a cumbersome process and delays the routine clearance of imports.</p> | <p>To replace the words as below: “Any Permission required for import under any other law shall be applicable, however there is no requirement of attestation/ permission for the Procurement Certificate or any other such permission from the Development Commissioner for EOUs or</p> |

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| <p>of the office of the Director, STPI for each import. Para 6.2 (b) of the Foreign Trade Policy</p> | | <p>from the Director STPI for the EHTP/STP units on a routine basis for each import”</p> |
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SUB-CONTRACT / JOB WORK OUTSIDE THE COUNTRY

Out-sourcing is an accepted practice in the era of globalization, often it makes sense to send out raw materials / components free of cost to a job worker outside the country who then adds local materials for conversion into semi-finished/finished product to re-import into India.

| Present Status | Problem | Suggestion |
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| <p>Under Customs Notification No.43/96-Cus dated 23-7-96, goods on which manufacturing processes are undertaken in India and are exported out of India for carrying out further manufacturing process like coating, electroplating and polishing or a combination of one or more of these processes, as the case may be, are exempted from payment of Customs duty when re-imported in India after completion of the said processes, provided that the goods are identified to the satisfaction of the proper Officer of the Custom on re-import.</p> | <p>Neither the EXIM Policy, nor the RBI Regulations, nor the Customs Notifications have any provision enabling the Indian Manufacturer to send raw material or components, free of cost, to any job worker outside the country for conversion into semi-finished/finished product and for the re-import of the same. Today, if any Manufacturer wishes to get job work done outside the country, then he has to:</p> <ol style="list-style-type: none"> a) First sell the raw material/components to the Job Worker and get the inward remittance for the same, and b) Pay the import duties on re-import of the semi-finished/finished product, including on the material supplied by him to the job worker. <p>All these add to the costs but add no value.</p> | <ol style="list-style-type: none"> 1) Since Foreign Trade Policy is silent on this issue, please incorporate suitable Para to allow sending raw material abroad for job work. 2) It is suggested that Customs Notification No. 43/96 –Cus dated 23-7-96 be amended to provide for sending material out of the country for Job-Working / conversion into semi-finished /finished products. 3) Since after the job working, it is not possible to identify physically the goods sent for job working since they have undergone substantial processing, identification at Customs should be based on documentary evidence. |

OTHER ISSUES

| Present Status | Problem | Suggestion |
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| While issuing advance license apart from general description of input to be imported technical characteristics, part numbers etc., and other specific details of items are asked for. | Over a period of 18 months or more when supplier changes part number etc., import comes to halt unless required changes are made in the license that takes some time. | Only general description should be acceptable. Value based advance license should also be introduced to avoid any mismatch between value and quantity exported. |

100% Export Oriented Units

| S.No. | Key Issues | Chapter of FTP/Handbook of Procedure/Circular/Notification | Rationale/Perceived effect on Export | Remarks/Effect on Exports |
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| 1 | Amendment of Section 6.2 (f) of the foreign trade policy to permit EOUs in sectors other than gem and jewellery sectors to source precious metal through nominated agencies on loan or lease basis and should be able to produce consumption statement for use in both export as well as DTA sale. Since consumption by the optical media industry is over a period of time, the time for exporting/using in manufacture should be extended upto one year rather than the present time of 90 days. | 6.2(f) | Optical media manufacturing industry uses gold/silver in manufacture of CD/DVDs in form of a metallic coating given by way of sputtering process onto the CDR / DVDRs for optimal reflectivity in order to get best results at the time of its usage. Since the provision of buying or taking on loan or lease basis from nominated agencies is not extended to sectors other than gems and jewellery sector, large amounts of gold/silver is being imported/purchased and stored. Since the usage will be over a period of time, large amounts get blocked in working capital. User industry whether in Jem or jewellery sector or any other sector should be extended the same benefits. | Increase in exports |

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| | | | Saves a lot of working capital. Presently huge amounts are being spent in importing precious metal for use in manufacture but consumption is over period of time. | |
| 2 | Amendment to FTP 6.8(a) to provide that within the overall entitlement of 50% for DTA sale, EOU should be allowed to sell any related products manufactured by them in DTA instead of the present policy of allowing DTA sale of similar goods only. | 6.8(a) | <p>As long as the EOU unit is able to maintain its NFE positive status, there is a need to allow them the freedom of selling any product in DTA subject to overall entitlement. "Similar" goods has created a lot of disputes with the excise department which is very narrowly interpreting the words "similar" goods to mean identical goods</p> <p>Allows greater flexibility in planning and seeling in domestic markets thereby resulting in larger duties to exchequer and also reduces a lot of litigation and thereby the litigation costs and time of the EOU industry.</p> | Neutral |
| 3 | Upfront exemption from services used in EOU instead of allowing cenvat credit on services | 6.11(v) | <p>Since excise duty/customs duty is exempted on goods used in or in relation to manufacture, services also should be exemption from service tax. One tax cannot be exemped and other taxed.</p> <p>Improves working capital and reduces lot of disputes in cenvat credit related issues.</p> | Improves exports as cost of goods sold will come down. |

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| <p>4</p> | <p>Amendment in Para 6.13 permitting inter unit transfer of raw materials</p> | <p>6.13</p> | <p>Since the transfer is from one unit to another of the same company and as transfer amounts to a bond to bond transfer, inter unit transfer of raw materials should be permitted with prior intimation to customs rather than seeking MOC approval.</p> <p>Reduces a lot inventory costs as raw materials from one unit can be quickly moved to other to prevent production losses.</p> | <p>Neutral</p> |
| <p>5</p> | <p>Amendment in HBP para 6.34(5) to provide for diversification in addition to broadbanding within the same unit.</p> | <p>6.34(5)</p> | <p>Since the present procedure permits broad banding only in respect of similar goods or activities having forward or backward linkages, units are not able to take up a different business segment without surrendering its EOU status</p> <p>This helps in broadening the product portfolios and improving business prospects by stopping production of products/technology which has become obsolete and help fight unviability. Assets can also be used more productively.</p> | <p>Provision for broadbanding, diversification, enhancement of capacity of production, already exist in Rule 19(2) of SEZ Rules, 2006. Similar amendment is required in FTP also.</p> <p>Improve exports</p> |
| <p>6</p> | <p>Extention of Income tax exemption to 100% EOU under Section 10B.</p> | <p>IT Act</p> | <p>In Finance Act, 2008 the changes were made in the Income Tax Act to extend income tax exemption to EOU upto 2010 only. This is need to be extended further.</p> | <p>Improve exports</p> |

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| | | | Extention of IT exemption will encourage the manufacturers to invest more in EOU units and increase export by remaining competitive in the internation market. | |
| 7 | Procurement of Goods:- As per SEZ Rules a developer or the unit could procure any goods from EoU but there is no such provision in FTP for EoU to supply procured goods to SEZ unit or the unit or EoU. | Ref. FTP- Para 6.13 (No Provision for Raw material / Consumables transfer from one EOU to other EOU / SEZ developer / SEZ Unit) | This will reduce the transaction/ operational cost and also give leverage to maintain the minimum inventory (inventory Control) at common place. This will also take care of the difficulties being faced by the manufacturer exporters in case of port congestion and delay in arrival of raw material which finally leads in cancellation of export orders. | FTP Para 6.13 should be amended by permitting transfer of raw material including Utilities from EOU to SEZ Unit or Developer or another EOU- similar to in line with SEZ rules. |
| 8 | EOU in backward areas to pay Spl. Additional Duty (SAD) on DTA Sale:- EOU units who have been granted sales tax exemption for setting up units in backward area are now being treated at par with units whose products are exempt from sales tax and a SAD @4% is being levied on them by the Excise Authorities. This renders the incentive granted to them by the State Govt void and hence is contrary to the Govt. policy of backward area development. It also creates an additional anomaly as EoUs which do not have this benefit are paying 2% sales tax hence are paying less tax than a EoU set up in | Notification No. 22/2006-C.E. dated 1.3.2006 | Denial of exemption from SAD, will make the EOU units who have been given sales tax exemption for making capital investment in backward area, unviable. | Suitable clarification is required to be issued extending SAD exemption to units who have been granted sales tax exemption due to investment made in backward areas, by amending the notification 22/2006-CE dated 1.3.2006. |

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| | a backward area. | | | |
| 9 | Materials other than those related to manufacturing activity, may be allowed to be procured/imported – such as construction or building materials. Excise and customs related notifications should be suitably amended, to include these items; otherwise a lot of taxes are being paid by the EOU on procurement / import of construction material. | SEZ Rule 12, FTP Para 6.2(a), Notif. 22/2003-Cx dated 31-3-2003, 52/2003-Cus. Dated 31-3-2003 | Will reduce the initial set-up cost. This will make the products manufactured and exported from EOUs further cost effective and taxes will not be exported. | |
| 10 | Reimbursement of Sales Tax to EOU: EOUs are paying sales tax and are claiming a refund from the Dev. Commissioner. All this could be avoided if an exemption is given from payment of sales tax, as has been given to SEZ units. | FTP Para 6.11(c) (i), SEZ Rule 32 | | It will reduce finance cost to EOUs and help bring down transaction cost. |
| 11 | Disposal of Used packing material should be allowed without payment of duty on transaction value | Foreign Trade Policy Para 6.17 (C) | N/A | This type of material is allowed without payment of duty vide Notf. No. 22/2003-CX dt. 31-03.2003 S.No. 8(ii) and 52/2003-Cus dtd. 31.03.2003 S.No. 4©. However, FTP does not allow this . The FTP para 6.15(d) should be amended in accordance with Notif. 22/2003-CX. Dtd. 31-3-03) |
| 12 | Export of Taxes - CENVAT Credit of Service Tax paid on - Goods Transport Agency (Outward Transportation) should be allowed. | Foreign Trade policy Para 6.11 (C) (V) | Cenvat credit is not allowed on Service Tax being paid on Outward Transportation under (GTA) for taking the containers from Factory to ICD / Port thus exporting Taxes. | Although Cenvat Credit on Service tax is allowed to EOU vide para 6.11© (v) , however Rule 2(1) of CENVAT Credit Rules, 2004 creates ambiguity on availability of CENVAT |

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| | | | | Credit on service tax paid on outward transportation services. As a result, EOU units are forced to export such taxes, making them uncompetitive. |
| 13 | Self Sealing: Goods removed without payment of duty for export on A.R.E.1 from one factory to another factory of a manufacturer for the purpose of consolidation and further export should be allowed to clear under Self Certification and Self Sealing. | Ref. Cir. 736/52/2003-CX. dtd. 11-8-2003 | | The procedure for clubbing the consignments from two units for further export is explained in CBEC Excise Manual of Supplementary Instruction 2005 under Part-V (Miscellaneous export documents) of Chapter 7 'Export without payment of duty'. This procedure is applicable when sealing is being done by the Excise officials. Similar procedure is required to be defined under Self Sealing System for EOUs. In fact this will meet the objective of Fast Tract Clearance Procedure made under FTP. |

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| 14 | Provision must be inserted in Policy to procure duty free goods including capital goods for creating facility (Network) to supply Utility services to SEZ Developer and Unit | Foreign Trade Policy -Para - 6.2 B | | Foreign Trade Policy -Para - 6.2 B specifies the duty free procurement for approved activities, which is normally Production. The provision in FTP and EOU notification should be made to allow duty free materials including capital goods for creating facility for supply of Utility services to SEZ Developer / Unit also. There are provisions in SEZ Rules to procure any material or Capital goods from an EOU unit, but corresponding provisions are not made in FTP. |
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SEZ (Developer/Unit)

| S.No. | Key Issues | Chapter of FTP/Handbook of Procedure/Circular/Notification | Perceived effect on Export | Remarks |
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| 1 | Service Tax on services provided outside SEZ:- Service tax is being charged on all those services which are provided outside the SEZ for its authorised operations. This issue has not been resolved as yet and consequently both the Developer and the unit are required to pay service tax on services availed outside the Zone i.e., some of the important services which are | Rule -31 of SEZ Rules-2006- " the exemption from payment of service tax on taxable services under section 65 of the Finance Act-1994 (32 of 1994) rendered to a developer or a unit (including unit under construction) by any service provider shall be available for the authorised operations in a SEZ". | SEZ Developer / Units are unable to take the CENVAT Credit like EOU Unit. SEZ Developer/ Unit are also unable to claim the service tax amount paid as Refund. This is increasing the transaction cost and thus resulting in export of Taxes. | Authorities have taken the stand that vide Notifi. No. 4/2004-ST dtd 31-3-2004, exemption will be available for the services "within" the Special Economic Zone and the Port Services or any other services which are being performed outside SEZ, irrespective of the fact that the services |

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| | provided from outside are Port Services, CHA Services, CONCORE Services, Banking & Financial Services etc. | | | are given for authorised operations of SEZ, shall not be exempted from ServiceTax. <u>Suggestion:-</u> <u>Circular must be issued to clarify this issue or Refund should be allowed to SEZ Developer / Unit from DC office.</u> |
| 2 | Stamp Duty Exemption:- is not available to SEZ Unit & Developer in State of UP. Exemption is not given since State Govt. have still not issued exemption notification for notified SEZ's in respect of stamp duty, although Central Stamp Duty Act has been amended. | Section 57, read with Part-III of Third Schedule of SEZ Act, 2005. And UP SEZ New Policy, para 2006-3(i)©. | This would cause huge loss to the developers. | <u>Suggestion:-</u> <u>UP Govt. should be requested to issue the necessary Stamp Duty Exemption notification soon to resolve this genuine problem..</u> |
| 3 | CST Exemption:- is not available to SEZ Unit and Developer on their inter-state sale, in the State of UP. | Rule 32 of SEZ Rules, 2006. | SEZs are forced to incur the cost which otherwise is exempted under the SEZ Act and Rules. | <u>Suggestion:-</u> <u>UP Govt. should be requested to issue the necessary CST Exemption notification.</u> |
| 4 | Refund of Duty & Taxes:- on the material procured on payment of excise duty and sales tax in exceptional cases by SEZ Developer/ Unit | As of now no Provision is available in SEZ Rules -2006 | As the provision of refund is not available to SEZ. SEZ Developer & Units are losing benefits thus increasing the transaction cost. Admissibility of refund will help in completion of time bound project, in time and will also reduce the transaction cost. | <u>Suggestion:-</u> <u>When goods are procured from traders or depots, duty paid should be reimbursed to SEZ Unit/ Developer.</u> |
| 5 | Customs escort of high value goods:- Import consignments (high value goods imported through the airport) are allowed to bring from Airport to SEZ under custody of Customs only. This provision is | SEZ Rule 28(7) | Increasing unnecessary import cost. | High value is not defined under SEZ Rules. As such all the consignments imported through airport are being escorted by the Customs. <u>Suggestion:-</u> |

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| | creating unnecessary delay in receipt of consignment beside extra cost and undue hardship. | | | <u>High value need to be defined under the Rule 28(7) of SEZ Rules, 2006.</u> |
| 6. | Duty Draw back on payment from EEFC Account:- Export Incentives such as Drawback, DEPB is allowed only when the payment is made in foreign Currency from EEFC account of the Unit to domestic supplier | SEZ Rule- 30(8) of chapter -IV | For a new unit it is difficult to make the payment from EEFC account. Further, this condition results in increase of Project cost and makes the project non-competitive. | Although at present export incentives are allowed to Developer and Unit , however payment from EEFC account for availing export incentives is making it difficult and cumbersome. <u>Suggestion:- Condition for payment from the Foreign Currency Account as laid u/r 30(8) of SEZ Rules should be withdrawn.</u> |
| 7. | Exemptions, Drawback and concessions on the goods and Services are also allowed to the contractors appointed by SEZ developer, however no detailed procedure for making application and other activity are prescribed in Rule | SEZ Rule-10 | Clarity in terms of procedure to be followed by contractors will result in early completion of SEZ Development and early start of export by Units. | Presently due to lack of clarity SEZ developers are paying sales tax especially with E-1 transaction sale while procuring the goods from the sub suppliers of main contractors. <u>Suggestion:- Detailed procedure must be published to take care such issues.</u> |
| 8. | Delay in import clearances due to requirement raised by Authorised officer for Bank Signed Invoices even for Air consignment . | No such provision in SEZ Rules , however imposed by local customs Authorities | Delay in completion of time bound project, as well as export production by Units. | <u>Suggestion:- Bank Signed Invoice should not be asked by customs at any Airport to avoid delays and resulting demurrage,which increased transaction cost.</u> |

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| <p>9.</p> | <p>Export Procedure for domestic supplier sending goods to SEZ Developer / Unit is not defined properly in SEZ Rules and procedure to be followed as prescribed in Excise for export, where sealing of goods are mandatory. Exemption from Sealing must be given against the goods which cannot be sealed by its nature and size (volume) or transported by railway racks.</p> | <p>SEZ Rule-30 -(1) As prescribed in 40/2001-CE (NT) as amended by Notification 19/2004-CE (NT)</p> | <p>Suppliers do not agree to seal the items like steel , cement , Pipes etc. In absence of seals Customs authorities refuse to issue the re-warehousing certificate and this leads to detention of vehicles and thus increased transaction cost.</p> | <p><u>Suggestion:-</u> <i>If the position of SEZ is of a deemed port,- provision must be inserted to accept the unsealed goods on 100% Examination basis at SEZ Gate. OR else, the goods which are difficult to seal should be exempted from sealing condition.</i></p> |
| <p>10.</p> | <p>Requirement of closed body Truck for bringing imported material from Airport sealed with Bottle seal in SEZ by Customs should be eliminated.</p> | <p>SEZ Rule-29 (5)(VI)</p> | <p>Limited availability of closed body trucks results in high cost to developer/ unit. Further, it is not possible to load all types of imported goods to pack & seal in closed body trucks due to their different dimension, volume. All these issues result in delay in completion of time bound Project, as well as export production by Units.</p> | <p><u>Suggestion:-</u> <i>The condition of closed body truck for importing the goods from port to SEZ should be eliminated.</i></p> |

PROCEDURES

| Issue | Current procedure/Status | Preferred/Suggested Solution |
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| <p>Exporters whose exports exceed Imports</p> <p>Chapter 4.37 of Procedures</p> | <p>Under DEPB Scheme, the exporters whose exports are more than imports have to sell the licenses for deriving benefits out of the scheme. This has created a market for sale of licenses wherein the exporter has to pay sales tax on the sale of licenses and shell down the discount premium for the process cost and the profit margin of the intermediaries and the purchaser. This has converted the whole process into a tedious job and an added administrative work for the exporters.</p> | <p>Instead of the current procedure, if government pays the incentive as a percentage of exports, in cash, the exporter will get complete benefit and acquires better competitive edge in the international market.</p> <p>Procedure recommended:</p> <p>Step 1: The exporters will submit the minimum required documents to DGFT. DGFT on scrutiny should remit the amount directly to the exporters bank account without any further procedures.</p> <p>Step 2: As of now, the exporters are submitting similar sets of documents to two different government agencies for availing different incentives, viz., One for Duty Draw Backs or DEPB, and the other one for Rebates. Instead, one set of document may be prescribed for all these benefits, which can be submitted at local designated government agency. This will reduce the manifold process into one simple stream and improve the transparency.</p> |
| <p>Storage facility for overseas supplier in India in the form of their Depots.</p> | <p>Bonded warehouses available. But the same is quite costly and involves much procedural part for the same.</p> | <p>Suggest to have facility for overseas supplier in India at location of their choice with low cost and minimum procedure. To keep the inventory at location nearby to customer and give delivery from there. This will save cost and time for delivery and accelerate production and exports.</p> |
| <p>Import of Second hand parts/Refurnished parts/spares allowed with "80% residual life"</p> <p>Clause 2.33 of Procedures</p> | <p>This requirement is difficult to define and leads to disputes.</p> <p>With high cost of production in advanced countries, many production facilities are getting closed. Second hand capital equipments are available at competitive</p> | <p>In case of imported machineries, the parts are very costly. Many of the parts are of such nature that second hand part will also suffice for operation of machine. If it is allowed, it will save a great cost for maintenance without affecting the production.</p> |

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| | <p>prices. The spares required for these are also available at a reasonable price. As the older model machines are not manufactured any more, new spares are not available in the market. Thus the importers have to source the spares thro' traders or some business houses in overseas. Having bought a second hand machine the need to import spares for the equipment will always be high when compared to first hand machine.</p> <p>The current policy permits import of second hand spare parts with 80% remaining lifetime. Practically no data will be available to estimate the remaining lifetime of the spare parts. This is leading to disputes and ending up with imposing penalty and fine on the price arrived at by the authorities. Therefore the manufacturers are losing competitive edge.</p> | <p><u>Suggestion</u> <i>Import of Second Hand Capital Goods should be allowed without "80% remaining lifetime" criteria.</i></p> |
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