

## Corpsec Hotline

April 12, 2005

### ADVANTAGE EXPORTS: INDIA'S FOREIGN TRADE POLICY 2004-09

Commerce and Industry minister Mr. Kamal Nath announced on April 8, 2005 the Annual Supplement 2005 ("Supplement") to the five-year foreign trade policy for 2004-09. By announcing the minister aims to generate employment in the country from the export sector and seeks to provide a greater role for imports as a tool of economic activity.

The important proposals in the Supplement are as follows:

- Advance License Scheme: This scheme, which was available only to status holders, shall now be extended to all categories of exporters having a past track record. Further, in order to simplify the scheme, three categories of advance licences shall be merged into a single category.
- Bank Guarantee: The quantum of bank guarantee for 'other manufacturers' and 'established service providers' shall be reduced to 15 per cent.
- Commodity Cess: In order to reduce the burden of indirect taxes, the cess levied on export of all agricultural and plantation commodities levied under various Commodity Board Acts shall be abolished.
- Duty-free Replenishment Certificate (DFRC): The list of sensitive items restricted for imports under the DFRC shall be reduced to eight items.
- Export Promotion Capital Goods (EPCG) Scheme: In order to accelerate performance, exporters who complete 75 per cent of their export obligation within 4 years (as compared to fulfilling 100 per cent with 8 years as per the conditions of the scheme) shall be exempt from the balance export obligation. The scheme also provides for added benefits for the agriculture sector.
- Export Oriented Units (EOUs): The de-bonding norms for EOUs shall be simplified with a move to self-assessment of liability. EOUs can claim income-tax exemption within a year from the date of exports.
- Gems and Jewellery Export: Entitlement of duty free imports of samples of gems and jewellery shall be enhanced to INR 300,000.
- Inter-state Trade Council: In order to facilitate coordination between the various states and the center o policy issues and boost international trade, the Supplement has announced setting up of an inter-state trade council.
- Served from India Scheme: Goods imported under this scheme shall be transferable within group companies and managed hotels, which would help them in bulk sourcing and better utilization of entitlement.
- Target Plus Scheme: This scheme shall be made operational, making the exporters who have a minimum turnover of INR 100 million eligible for duty credit.

The above proposals are in addition to the procedural simplifications announced in the Supplement.

With these measures, the commerce and industry ministry hopes to achieve a 15 per cent increase in the export target to US\$92 billion for the current year (as compared to the year 2004 where the exports touched US\$ 80 billion) and to make India as a preferred destination of manufacturing outsourcing.

Source: Business Standard, weekend edition dated April 9/10, 2005

You can direct your queries or comments to [Vikram Shroff](#) and [Kishore Joshi](#)

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