No. 01/92/180/508/AM'99/PC.II/

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE

DIRECTORATE GENERAL OF FOREIGN TRADE

UDYOG BHAVAN, NEW DELHI.

Policy Circular No. 57(RE-98)/98-99 Dated, the 16th December, 1998

To,

1. **All Licensing Authorities (By name),**
2. **The Export Promotion Councils / Commodity Boards,**
3. **The Federation of Indian Export Organisations, New Delhi.**
4. **All Chambers of Commerce and Industries / Association on mailing list.**

Subject : Clarification on deemed export benefits.

On certain issues relating to deemed exports, clarifications have been sought by Regional Licensing Authorities as well as exporters. These issues have been discussed with Deptt. of Economic Affairs, Deptt. of Revenue and Ministry of Commerce and following clarifications are being issued :

i. A clarification has been sought whether deemed export benefits viz. Refund of Duty Drawback and refund of Terminal Excise Duty is available to Merchant Exporters or Manufacturer Exporters. In this context, DGFT had issued a Circular No. M-3(2)/AM'92/DBK Cell dated 18th March, 1994, clarifying that deemed export benefits are available to Merchant Exporter on deemed export supplies made w. e. f. 1.4.1992. Accordingly, the Regional Licensing Authorities are giving the deemed export benefits to the Merchant Exporters also.

   This issue was discussed in detail and it is clarified that deemed export benefits viz. Refund of Duty Drawback, Refund of Terminal Excise Duty and Special Import License are available to the Manufacturer Exporter only for supply of the goods manufactured in India. In respect of supplies under Paragraph 10.2(d), (e), (f) and (g) of the EXIM Policy, where main contractor and sub-contractors are involved, main contractor will be entitled for deemed export benefits to the extent of goods manufactured and supplied by him and sub-contractor will be entitled for deemed export benefits to the extent of goods manufactured and supplied by him.

   However, some of the Regional Licensing Authorities have pointed out that in the light of DGFT Circular No. M-3 (2) / AM'92 / DBK Cell dated 18.3.1994, they have been giving the deemed export benefits to the Merchant Exporters also. In view of this it has been decided that the clarification as stated above giving the deemed export benefits to

Manufacturer Exporter only will be applicable in respect of supplies effected henceforth i.e. from the date of this circular.

ii. It has been represented that Special Imprest License may be granted to the turn key contractors. In this context, it is clarified that Paragraph 7.6 of the EXIM Policy, 1997-2002, clearly stipulates that a Special Imprest License is to be granted to a Manufacturer exporters only. A Special Imprest License can also be availed by sub-contractor of the main contractor. Hence, Special Imprest License is to be granted only to the Manufacturer Exporter. In respect of supplies under Paragraph 10.2 (d), (e), (f) and (g) of the EXIM Policy where main contractor and sub-contractor are involved, Special Imprest License can be claimed by the main contractor to the extent of goods manufactured and supplied by him and sub-contractor can claim the Special Imprest License to the extent of goods manufactured and supplied by him.

iii Similarly, in respect of turn key civil construction projects, deemed export benefits will be available only for supply of goods as was already clarified under Policy Circular No. 32 dated 20th August, 1998 provided the goods are manufactured in India and these benefits will be available only to the Manufacturer Exporter who manufacture and supply the goods. Policy Circular No. 32 had clearly stated that for turn key civil construction projects supply of goods is entitled for deemed export benefits, if otherwise admissible. Hence, all other conditions like as stated under Paragraph 10.2 of the EXIM Policy "provided the goods are manufactured in India" have to be satisfied.

This has been issued with the approval of DG.

Yours faithfully,

(L. B. Singhal)

Jt. Director General of Foreign Trade