

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE AND INDUSTRY
DEPARTMENT OF COMMERCE
DIRECTORATE GENERAL OF FOREIGN TRADE

POLICY CIRCULAR NO 21 /2002-2007

Dated: 18th March, 2003

To

All Licensing Authorities

All Commissioners of Customs,

Subject: Retrospective effect of the criteria permitting 25% BG for manufacturer exporters having an export turnover of less than Rs 1 crore

Attention is invited to Public Notices No 51 dated 04.12.2002 and No 64 dated 19.02.2003 which amended para 4.6 of the Handbook of Procedures (Vol 1) pertaining to "Newcomers" .

Specifically, the amendment in PN 51 dated 04.12.2002 was about such manufacturer exporters who had an export turnover of less than Rs 1 crore but were registered with the state sales tax authorities. It was mandated that on production of a CA certificate indicating the previous licencing years exports, a certificate of registration with the state sales tax/ central excise authorities and a declaration that they have not been penalised under the Customs Act, Excise Act, Foreign Trade (Development and Regulation) Act, 1992 & FEMA/ FERA; such manufacturer exporters may now furnish a Bank Guarantee(BG) to the tune of 25% of the duties saved for the issuance of an Advance Licence.

On the other hand the amendment in PN 64 dated 19.02.2003 pertains to such established domestic companies who fulfil certain specified criteria like being registered with both the central excise and state sales tax authorities and having paid both the taxes unless exempted and having a minimum investment in plant and machinery of Rs 50 lakhs. The Advance Licence issued to such domestic companies would carry an endorsement that the bond/ BG furnished would be as per the terms and conditions stipulated by the Department of Revenue.

These amendments were carried out to reduce the transaction cost especially for established small exporters and established domestic companies. However, there have been queries on the extension of such facilities to licences issued prior to the issuance of these Public Notices.

It has been decided that the facility granted under the two Public Notices would be available to licences issued earlier as the provisions are aimed at the reduction in the transaction costs of small exporters and established domestic companies.

This issues with the approval of the Director General of Foreign Trade .

A.B. Menon
Deputy DGFT

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