

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE
DIRECTORATE GENERAL OF FOREIGN TRADE
(PC-IV Section)

Policy CIRCULAR NO.50 (RE-99)/99-2000/,Dated 28th Jan,2000

ALL LICENSING AUTHORITY

ALL COMMISSIONERS OF CUSTOMS

Subject:-Export of goods with value addition under Paragraph 11.7 of Exim Policy against Rupee Payment.

Attention is invited to Paragraph 11.7 of EXIM Policy 1997-2002 which provides inter-alia for export of goods against payment in Indian Rupee subject to a minimum value addition of 33% with conditions specified thereunder. Custom has brought to notice of this office that several imports are made in freely convertible currency and subsequently permission is sought by importers from customs for export of same goods directly from the docks to Russia against Rupee Payment under the above provision of Exim Policy. It is reported that with a view to fulfilling the criteria of value addition, export documents are manipulated to increase the FOB value on paper.

2. The matter has been examined carefully in this office. The value addition norm has been formulated in Chapter 7 of the Exim Policy relating to duty exemption scheme. It is implicit that the value addition has to be achieved by subjecting the imported good or input to some kind of tangible processing or manufacturing process so as to add upto its intrinsic value in a realistic manner. However, an increase in FOB value of exportable goods on paper without any increase in its intrinsic value is against the Policy.
3. Further, the Rupee Debt Payment Scheme was envisaged to increase export of Indian goods to Russia . If switch-trade of the form described above takes place, the entire mechanism of repayment of rupee debt to Russia by way of export of Indian goods would be jeopardised.
4. In the light of above facts, it is clarified that the minimum value addition of 33% for export of goods against payment in Indian Rupee under Paragraph 11.7 of the Exim Policy may be achieved by effecting an increase in intrinsic value of the export product as explained in paragraph 2 above.
5. This issues with the approval of Directorate General of Foreign Trade.

(A.K. Srivastava)

Dy.Director General of Foreign Trade

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