

GOVERNMENT OF INDIA
DEPARTMENT OF COMMERCE
DIRECTORATE GENERAL OF FOREIGN TRADE
UDYOG BHAWAN, NEW DELHI – 110 011

Policy Circular No. 9/2009-2014

Dated: 1st October, '09.

To

All Regional Authorities;
All Commissioners of Customs;
Exporting Community

Subject: Clarification with regard to:

- A. Deemed Export Benefits on supplies against Invalidation Letter / ARO.
- B. Value Addition requirement on clubbing - regarding.

Attention is invited to paragraph 4.1.11 of FTP wherein the reference has been made to the facility of Invalidation Letter and Advance Release Order (ARO) for domestic procurement of the inputs for export production. Trade and Industry have represented that for want of specific provision stating the FTP benefits to the domestic supplier against Invalidation Letter / ARO, field formations at times raise objections.

In this regard, it is informed that the purpose of Invalidation letter / ARO is to facilitate duty neutralisation or inputs procured from the domestic market, in lieu of duty free imports allowed under the authorisation. Accordingly, it is clarified that against invalidation letter, the supplier can avail Advance Authorisation for Intermediate supplies and TED refund (wherever Excise exemption is not available against such supplies), whereas against ARO, the supplier is entitled for deemed export duty drawback, as applicable. Provision of Paragraph 4.1.11 of FTP has to be read with Paragraphs 8.3 and 8.4.1 of FTP.

2. Value addition requirement on clubbing of Advance Authorisations of Paragraph 4.20 of HBP v1:-

Trade and Industry have represented that since the minimum prescribed value addition under Advance Authorisation Scheme has been enhanced to 15% in the FTP 2009-14, the required minimum value addition for the purpose of clubbing of advance authorisations issued during the pre-2009-14 policy and that of 2009-14 policy, needs to be clarified for a uniform application by the Regional Authorities.

In this regard, it is clarified that the value addition on clubbing should be the prescribed minimum value addition stated in the FTP and not the declared value addition given in the application. In case of clubbing of authorisations with different minimum prescribed value addition, the aggregate value addition should be the weighted average based on CIF value utilized in the respective authorisations.

For clarity, an illustration is given below with reference to two Authorisations issued with different V.A Norms:

- (i) CIF Value utilized under Authorisation A (issued under positive V.A provision): say, Rs. 1000/-.
- (ii) CIF value utilized under Authorisation B (issued under 15% V.A provision): say Rs. 2000/-.
- (iii) Minimum FOB Value required under Authorisation A shall be: Rs. 1000/-.
- (iv) Minimum FOB value required under Authorisation B shall be: Rs. 2300/-.
- (v) Upon Clubbing, CIF value of the clubbed authorisation would be Rs. 3000/- and the minimum FOB value of the clubbed authorisation would be Rs. 3300/-.

This will ensure that the prescribed minimum value addition on the respective authorisations is achieved indicating that the weighted average value addition for the clubbed authorisation is maintained.

This issues with the approval of Competent Authority.

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