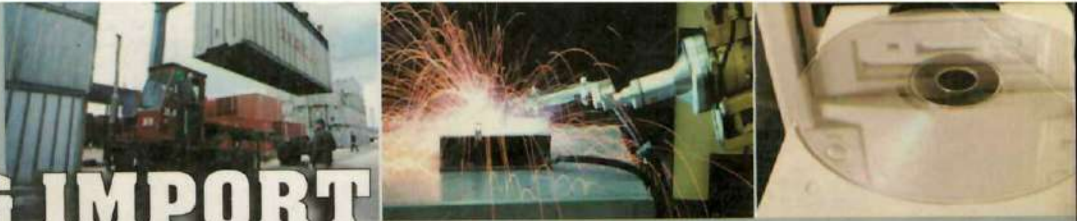
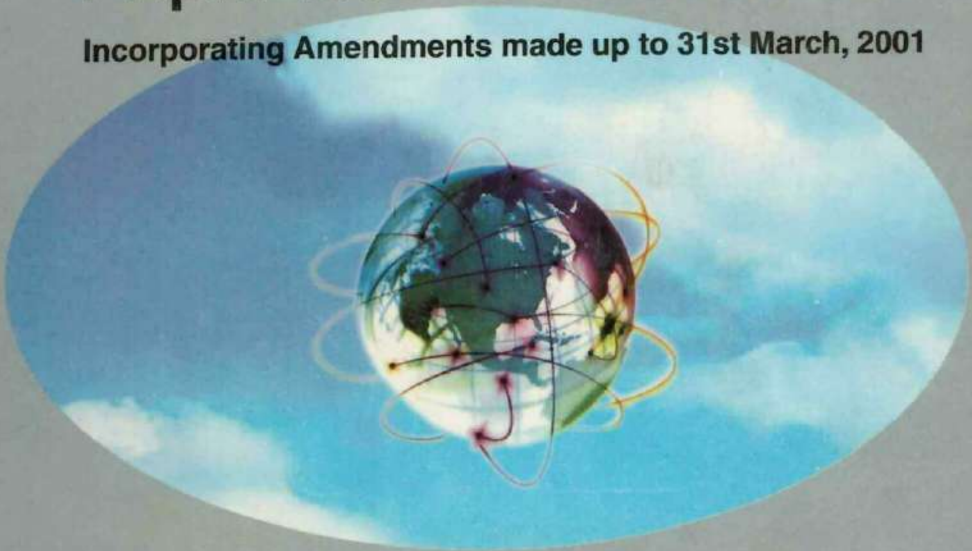


EXPORT & IMPORT POLICY

For Official use only

1 April 1997 - 31 March 2002

Incorporating Amendments made up to 31st March, 2001



सत्यमेव जयते

MINISTRY OF COMMERCE AND INDUSTRY
DEPARTMENT OF COMMERCE
GOVERNMENT OF INDIA

सत्यमेव जयते

EXPORT AND IMPORT POLICY

1st April, 1997-31st March, 2002
(Incorporating amendments made upto 31st March, 2001)

MINISTRY OF COMMERCE AND INDUSTRY
DEPARTMENT OF COMMERCE
GOVERNMENT OF INDIA

Website: http://www.nic.in/eximpol

882 DGFT/2001—1

April, 1997

Revised Edition:April, 1998

Revised Edition: March, 1999

Revised Edition: March, 2000

Revised Edition: March, 2001

TO BE PUBLISHED IN THE GAZETTE OF INDIA EXTRAORDINARY
PART-II, SECTION-3, SUB SECTION (ii)

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE AND INDUSTRY

NOTIFICATION No. 1 (RE-00)/ 1997-2002
NEW DELHI: the 31st March, 2001,

In exercise of powers conferred by section 5 of the Foreign Trade (Development and Regulation) Act, 1992 (No. 22 of 1992) read with paragraph 1.1 of the Export and Import Policy, 1997-2002, the Central Government hereby amends and notifies the Export and Import Policy, 1997-2002 (Revised Edition: March, 2001) as contained in Annexure to this notification. The revised edition of the Policy, incorporating the amendments made upto 31st March, 2001 shall come into force from 1st April, 2001.

This issues in public interest.

(N.L.Lakhanpal)
Director General of Foreign Trade and Ex-officio
Additional Secretary to the Government of India

(Ajay Sahai)
Jt. Director General of Foreign Trade

(F.No. 01/94/180/EXIM POLICY /AM02/Policy-IV)

CONTENTS

APPENDIX

CHAPTER 1

INTRODUCTION

Notification

1.1 In exercise of the powers conferred under Section 5 of the Foreign Trade (Development and Regulation Act), 1992 (No. 22 of 1992), the Central Government hereby notifies the Export and Import Policy for the period 1997-2002.

Duration

1.2 This Policy shall come into force with effect from 1st April, 1997 and shall remain in force for a period of five years, i.e, upto 31st March, 2002 and will be co-terminus with the Ninth Five Year Plan (1997-2002).

1.3 The Central Government reserves the right in public interest to make any amendments to this Policy in exercise of the powers conferred by section 5 of the Act. Such amendment shall be made by means of a Notification published in the Gazette of India.

Transitional Arrangements

1.4 Any Notifications made or Public Notices issued or anything done under the previous Export/Import policies, and in force immediately before the commencement of this Policy shall, in so far as they are not inconsistent with the provisions of this Policy, continue to be in force and shall be deemed to have been made, issued or done under this Policy. Licences issued before the commencement of this Policy shall continue to be valid for import/ export of the items permitted therein unless otherwise stipulated

1.5 In case an export or import that is permitted freely under this Policy is subsequently subjected to any restriction or regulation, such export or import will ordinarily be permitted notwithstanding such restriction or regulation, unless otherwise stipulated, provided that the shipment of the export or import is made within the original validity of the irrevocable letter of credit established before the date of imposition of such restriction.

CHAPTER 2

OBJECTIVES

2.1 The principal objectives of this Policy are:

(i) To accelerate the country's transition to a globally oriented vibrant economy with a view to deriving maximum benefits from expanding global market opportunities

(ii) To stimulate sustained economic growth by providing access to essential raw materials, intermediates, components, consumables and capital goods required for augmenting production.

(iii) To enhance the technological strength and efficiency of Indian agriculture, industry and services, thereby improving their competitive strength while generating new employment opportunities, and to encourage the attainment of internationally accepted standards of quality.

(iv) To provide consumers' with good quality products at reasonable prices.

2.2 The objectives will be achieved through the coordinated efforts of all the departments of the government in general and the Ministry of Commerce and Industry and the Directorate General of Foreign Trade and its network of Regional Offices in particular, with a shared vision and commitment and in the best spirit of facilitation, in the interest of export promotion.

CHAPTER 3

DEFINITIONS

3.1 For the purpose of this Policy, unless the context otherwise requires, the following words and expressions shall have the following meanings attached to them:

3.2 "Accessory" or "Attachment" means a part, sub-assembly or assembly that contributes to the efficiency or effectiveness of a piece of equipment without changing its basic functions.

3.3 "Act" means the Foreign Trade (Development and Regulation) Act, 1992 (No.22 of 1992).

3.4 "Actual User" means an actual user who may be either industrial or non-industrial.

3.5 "Actual User (Industrial)" means a person who utilises the imported goods for manufacturing in his own industrial unit or manufacturing for his own use in another unit including a jobbing unit.

3.6 "Actual User (Non-Industrial)" means a person who utilises the imported goods for his own use in

(i) any commercial establishment carrying on any business, trade or profession; or

(ii) any laboratory, Scientific or Research and Development (R&D) institution, university or other educational institution or hospital; or

(iii) any service industry.

3.7 "ALC" means the Advance Licensing Committee in the Directorate General of Foreign Trade for recommending grant of licences under Duty Exemption Scheme and for recommending Input Output norms and value addition norms to be notified by Director General of Foreign Trade.

3.8 "Applicant" means the person on whose behalf the application is made and shall, wherever the context so requires, include the person signing the application.

882 DGFT/2001—2A

3.9 Deleted

3.10 "Capital Goods" means any plant, machinery, equipment or accessories required for manufacture or production, either directly or indirectly, of goods or for rendering services, including those required for replacement, modernisation, technological upgradation or expansion. Capital goods also include packaging machinery and equipment, refractories for initial lining, refrigeration equipment, power generating sets, machine tools, catalysts for initial charge, equipment and instruments for testing, research and development, quality and pollution control. Capital goods may be for use in manufacturing, mining, agriculture, aquaculture, animal husbandry, floriculture, horticulture, pisciculture, poultry, sericulture and viticulture as well as for use in the services sector.

3.11 "Competent Authority" means an authority competent to exercise any power or to discharge any duty or function under the Act or the Rules and Orders made thereunder or under this Policy.

3.12 "Component" means one of the parts of a sub-assembly or assembly of which a manufactured product is made up and into which it may be resolved. A component includes an accessory or attachment to the component.

3.13 "Consumables" means any item, which participates in or is required for a manufacturing process, but does not form a part of the end-product. Items, which are substantially or totally consumed during a manufacturing process will be deemed to be consumables.

3.14 "Consumer Goods" means any consumption goods which can directly satisfy human needs without further processing and includes consumer durables and accessories thereof.

3.15 "Counter Trade" means any arrangement under which exports/imports from/ to India are balanced either by direct imports/exports from the importing/ exporting country or through a third country under a Trade Agreement or otherwise. Exports/Imports under Counter Trade may be carried out through Escrow Account, Buy Back arrangements, Barter trade or any similar arrangement. The balancing of exports and imports could wholly or partly be in cash, goods and/or services.

882 DGFT/2001—2B

3.16 "DEEC" means Duty Exemption Entitlement Certificate issued under Duty Exemption Scheme.

3.17 "DFRC" means Duty Free Replenishment Certificate issued under Duty Remission Scheme.

3.18 "Drawback, " in relation to any goods manufactured in India and exported, means the rebate of duty chargeable on any imported material or excisable material used in the manufacture of such goods in India. The goods include imported spares, if supplied with capital goods manufactured in India.

3.19 "EOU" means Export Oriented Unit.

3.20 "EPZ" means Export Processing Zone.

3.21 "Excisable goods" means any goods produced or manufactured in India and subject to a duty of excise under the Central Excise and Salt Act 1944 (1 of 1944).

3.22 "Exporter" means a person who exports or intends to export and holds an Importer-Exporter Code number unless otherwise specifically exempted.

3.23 Export House/Service Export House, Trading House/ International Service Export House, Star Trading House/ International Star Service Export House, Super Star Trading House/ International Super Star Service Export House means an exporter/service provider recognised as Export House/ Service Export House, Trading House/ International Service Export House, Star Trading House/International Star Service Export House, Super Star Trading House/ International Super Star Service Export by the Director General of Foreign Trade.

3.24 "Export Obligation" means the obligation to export the product or products covered by the licence or permission in terms of quantity, value or both, as may be prescribed or specified by the licensing or competent authority.

3.25 "Form" means a form prescribed under the Foreign Trade (Development and Regulation) Act, 1992, or the Rules and Orders made thereunder or a form provided in the Handbook (Vol.1).

3.26 "Handbook (Vol.1)" means the Handbook of Procedures (Vol.1) and "Handbook (Vol.2)" means Handbook of Procedures (Vol.2) published under the provisions of the paragraph 4.11 of the Policy.

3.27 "Importer" means a person who imports or intends to import and holds an Importer-Exporter Code number unless otherwise specifically exempted.

3.27A "ITC(HS)" means ITC(HS) Classifications of Export and Import Items Book.

3.28 "Jobbing" means processing or working upon of raw materials or semi-finished goods supplied to the job worker so as to complete a part or whole of the process resulting in the manufacture or finishing of an article or any operation which is essential for the aforesaid process.

3.29 "Licensing Authority" means the authority competent to grant a licence under the Act/Order.

3.30 "Licensing Year" means the period beginning on the 1st April of a year and ending on the 31st March of the following year.

3.31 "Manufacture" means to make, produce, fabricate, assemble, process or bring into existence, by hand or by machine, a new product having a distinctive name, character or use and shall include processes, such as refrigeration, repacking, polishing, labelling and segregation. Manufacture, for the purpose of this Policy, shall also include agriculture, aquaculture, animal husbandry, floriculture, horticulture, pisciculture, poultry, sericulture, viticulture and mining.

3.32 "Manufacturer Exporter" means a person who exports goods manufactured by him or intends to export such goods.

3.33 "Merchant Exporter" means a person engaged in trading activity and exporting or intending to export goods.

3.33A "NFE" means Net Foreign Exchange.

3.34 "Notification" means a notification published in the Official Gazette.

3.35 "Order" means Order made by the Central Government under the Act.

3.36 "Part" means an element of a sub-assembly or assembly not normally useful by itself and not amenable to further disassembly for maintenance purposes. A part may be a component or an accessory.

3.37 "Person" includes an individual, firm, society, company, corporation or any other legal person.

3.38 "Policy" means the Export and Import Policy, 1997-2002 as amended from time to time.

3.39 "Prescribed" means prescribed under the Foreign Trade (Development and Regulation) Act, 1992 (No. 22 of 1992) or the Rules or Orders made thereunder or under this Policy.

3.40 "Public Notice" means a notice published under the provisions of paragraph 4.11 of the Policy.

3.41 "Raw material" means:

(i) basic materials which are needed for the manufacture of goods, but which are still in a raw, natural, unrefined or unmanufactured state; and

(ii) for a manufacturer, any materials or goods which are required for his manufacturing process, whether they have actually been previously manufactured or are processed or are still in a raw or natural state.

3.42 Deleted

3.43 "Regional Licensing Authority" means a licensing authority exercising powers in respect of any area or region specified in this behalf by the Director General of Foreign Trade.

3.44 "Registration-cum-Membership Certificate" (RCMC) means the certificate of registration and membership granted by an Export Promotion Council or other competent authority as prescribed in the Policy or Handbook (Vol.1).

3.45 "Rules" means Rules made by the Central Government under section 19 of the Act.

3.46 Deleted

3.47 "Services" include all the tradable services covered under General Agreement on Trade in Services and earning free foreign exchange.

3.48 "Service Provider" means a person providing

(i) Supply of a 'service' from India to any other country;

(ii) Supply of a 'service' from India to the service consumer of any other country in India; and

(iii) Supply of a 'service' from India through commercial or physical presence in the territory of any other country.

(iv) Supply of a 'service' in India relating to exports paid in free foreign exchange.

3.49 "Ships" mean all types of vessels used for sea borne trade or coastal trade and shall include second hand vessels.

3.49A "SION" means Standard Input Output Norms notified by DGFT in the Handbook of Procedure (Vol.2), 1997-2002,

3.50 "Spares" means a part or a sub-assembly or assembly for substitution, that is ready to replace an identical or similar part or assembly. Spares include a component or an accessory.

3.50A "SEZ" means Special Economic Zone.

3.51 "Specified" means specified by or under the provisions of this Policy.

3.51A "Status holder" means an exporter/ service provider recognised as "Export House/ Service Export House, Trading House/ International Service Export House, Star Trading House/ International Star Service Export House, Super Star Trading House/ International Super Star Service Export House by the Director General of Foreign Trade.

3.52 "Wild Animal" means any wild animal as defined in section 2(36) of the Wildlife (Protection) Act, 1972.

3.53 Deleted

3.54 "Third-party exports" means exports made by an exporter or manufacturer on behalf of a third party. In such cases, shipping bills shall indicate the name of both the exporter/ manufacturer and the third party.

CHAPTER 4

GENERAL PROVISIONS REGARDING IMPORTS AND EXPORTS

Exports and Imports Free Unless Regulated

4.1 Exports and Imports shall be free, except to the extent they are regulated by the provisions of this Policy or any other law for the time being in force. The itemwise export and import policy shall be, as specified in ITC(HS) published and notified by Director General of Foreign Trade, as amended from time to time.

For the purpose of claiming any benefit under the Policy, it shall be obligatory to mention 8 digit ITC(HS) code invariably in the shipping bill. Wherever a specific code entry does not appear at the 8 digit level, the 8 digit of "others" in that category will be mentioned.

Principles of Restriction

4.2 DGFT may, through a notification, adopt and enforce any measure necessary for:-

(i) Protection of public morals.

(ii) Protection of human, animal or plant life or health.

(iii) Protection of patents, trade marks and copyrights and the prevention of deceptive practices.

(iv) Prevention of prison labour.

(v) Protection of national treasures of artistic, historic or archeological value.

(vi) Conservation of exhaustible natural resources.

(vii) Protection of trade of fissionable material or material from which they are derived; and

(viii) Prevention of traffic in arms, ammunition and implements of war.

4.3 Deleted

4.4 Deleted

Restricted Goods.

4.5 Any goods, the export or import of which is restricted under ITC(HS) may be exported or imported only in accordance with a licence issued in this behalf.

Terms and Conditions of a Licence

4.6 Every licence shall be valid for the period of validity specified in the licence and shall contain such terms and conditions as may be specified by the licensing authority which may include:

(a) The quantity, description and value of the goods

(b) Actual User condition ;

(c) Export obligation ;

(d) The value addition to be achieved; and

(e) The minimum export price.

Licence not a Right

4.7 No person may claim a licence as a right and the Director General of Foreign Trade or the licensing authority shall have the power to refuse to grant or renew a licence in accordance with the provisions of the Act and the Rules made thereunder.

State Trading

4.8 Any good, the import or export of which is governed through exclusive or special privileges granted to State Trading Enterprise(s), may be imported or exported by the State Trading Enterprise(s) as specified in the ITC(HS) Classification of Export and Import Item Book subject to the conditions specified therein. The Director General of Foreign Trade may, however, grant a licence to any other person to import or export any of these goods.

In respect of goods the import or export of which is governed through exclusive or special privileges granted to State Trading Enterprise(s) the State Trading Enterprise(s) shall make any such purchases or sales involving imports or exports solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation and other conditions of purchase or sale. These enterprises shall act in a non discriminatory manner and shall afford the enterprises of other countries adequate opportunity, in accordance with customary business practice, to compete for participation in such purchases or sales.

Importer-Exporter Code Number

4.9 No export or import shall be made by any person without an Importer-Exporter Code (IEC) number unless specifically exempted. An Importer-Exporter Code (IEC) number shall be granted on application by the competent authority in accordance with the procedure specified in the Handbook (Vol.1)

Registration-cum-Membership Certificate

4.10 Any person, applying for (i) a licence to import/ export, [except items listed as restricted items in ITC(HS)] or (ii) any other benefit or concession under this Policy shall be required to furnish Registration-cum-Membership Certificate (RCMC) granted by the competent authority in accordance with the procedure specified in the Handbook (Vol.1) unless specifically exempted under the Policy.

Procedure

4.11 The Director General of Foreign Trade may, in any case or class of cases, specify the procedure to be followed by an exporter or importer or by any licensing, competent or other authority for the purpose of implementing the provisions of the Act, the Rules and the Orders made thereunder and this Policy. Such procedures shall be included in the Handbook (Vol.1), Handbook(Vol.2) and in ITC(HS) and published by means of a Public Notice. Such procedures may, in like manner, be amended from time to time.

Compliance with Laws

4.12 Every exporter or importer shall comply with the provisions of the Foreign Trade (Development and Regulation) Act, 1992, the Rules and Orders made thereunder, the provisions of this Policy and the terms and conditions of any licence granted to him, as well as provisions of any other law for the time being in force. All imported goods shall also be subject to domestic Laws, Rules, Orders, Regulations, technical specifications, environmental and safety norms as applicable to domestically produced goods.

Interpretation of Policy

4.13 If any question or doubt arises in respect of the interpretation of any provision contained in this Policy, or regarding the classification of any item in the ITC(HS), Handbook (Vol.1), Handbook (Vol.2), the said question or doubt shall be referred to the Director General of Foreign Trade whose decision thereon shall be final and binding.

If any question or doubt arises whether a licence has been issued in accordance with this Policy or if any question or doubt arises touching upon the scope and content of a licence, the same shall be referred to the Director General of Foreign Trade whose decision thereon shall be final and binding.

Exemption from Policy/ Procedure

4.14 Any request for relaxation of the provisions of this Policy or of any procedure, on the ground that there is genuine hardship to the applicant or that a strict application of the Policy or the procedure is likely to have an adverse impact on trade, may be made to the Director General of Foreign Trade for such relief as may be necessary. The Director General of Foreign Trade may pass such orders or grant such relaxation or relief as he may deem fit and proper. The Director General of Foreign Trade may, in public interest, exempt any person or class or category of persons from any provision of this Policy or any procedure and may, while granting such exemption, impose such conditions as he may deem fit. Such requests may be considered only after consulting ALC if the

request is in respect of a provision of Chapter 7 of the Policy/Procedure. However, any such request in respect of a provision other than Chapter-7, may be considered only after consulting Policy Relaxation Committee.

Private/ Public Bonded Warehouses for Imports

4.15 Private/Public bonded warehouses may be set up in the Domestic Tariff Area as per the terms and conditions of notification issued by Department of Revenue. Any person may import goods except prohibited items, arms and ammunition, hazardous waste and chemicals and warehouse them in such private/public bonded warehouses. Such goods may be cleared for home consumption in accordance with the provisions of this Policy and against Licence, wherever required. Customs duty as applicable shall be paid at the time of clearance of such goods. If such goods are not cleared for home consumption within a period of one year or such extended period as the custom authorities may permit, the importer of such goods shall re-export the goods.

Trade with Neighboring Countries

4.16 The Director General of Foreign Trade may issue, from time to time, such instructions or frame such schemes as may be required to promote trade and strengthen economic ties with neighboring countries.

Trade with Russia under Debt-Repayment Agreement

4.17 In the case of trade with Russia under the Debt Repayment Agreement, the Director General of Foreign Trade may issue, from time to time, such instructions or frame such schemes as may be required, and anything contained in this Policy, in so far as it is inconsistent with such instructions or schemes, shall not apply.

Transit Facility

4.18 Transit of goods through India from or to countries adjacent to India shall be regulated in accordance with the treaty between India and those countries.

Execution of BG/LUT

4.19 Wherever any duty free import is allowed or where otherwise specifically stated, the importer shall execute a Legal Undertaking (LUT)/ Bank Guarantee (BG) with the Customs Authority before clearance of goods through the Customs, in the manner as may be prescribed. In case of indigenous sourcing, the licence holder shall furnish BG/LUT to the licensing authority before sourcing the material from the indigenous supplier/nominated agencies.

Penalty

4.20 If a licence holder violates any condition of the licence or fails to fulfil the export obligation, he shall be liable to action in accordance with the Act, the Rules and Orders made there under, the Policy and any other law for the time being in force.

Free movement of Export Goods

4.21 Consignments of items allowed for exports shall not be withheld/ delayed for any reason by any agency of the Central/State Government. In case of any doubt, the authorities concerned may ask for an undertaking from the exporter.

Import/ Export of Samples 4.22 Import and export of samples shall be governed by the provisions given in Handbook (Vol.1)

Third Party Exports 4.23 Third party exports, as defined in paragraph 3.54, shall be allowed under the Policy.

Clearance of Goods from Customs 4.24 The goods already imported/ shipped/ arrived, in advance, but not cleared from Customs may also be cleared against the licence issued subsequently.

Green Card 4.25 All status holders and manufacturer exporter exporting more than 50% of their production, subject to a minimum turnover of Rs.1 crore in preceding year and service providers rendering services in free foreign exchange for more than 50% of their services turnover, subject to a minimum value of Rs.35 lakhs in free foreign exchange in the preceding year, shall be issued a green card by Directorate General of Foreign Trade. This card will entitle the holder to the following facilities:

a) Automatic licensing as mentioned in paragraph 4.26 of Handbook (Vol.1).

b) Automatic Customs clearance for Exports.

c) Automatic Customs clearance for Imports related to exports.

d) Deleted.

Electronic Data Interchange 4.26 In an attempt to speed up the transactions and to bring about transparency in various activities related to exports, electronic data interchange would be encouraged. Applications received electronically from the status holders and green card holders shall be cleared within 24 hours.

CHAPTER 5

IMPORTS

Free Importability 5.1 Deleted

Actual User Condition 5.2 Capital goods, raw materials, intermediates, components, consumables, spares, parts, accessories, instruments and other goods, which are importable without any restriction, may be imported by any person. However, if such imports require a licence, the Actual User alone may import such goods unless the Actual User condition is specifically dispensed with by the licensing authority.

Second Hand Goods 5.3 All second hand goods shall be restricted for imports and may be imported only in accordance with the provisions of this Policy, ITC(HS), Handbook (Vol.1), Public Notice or a licence issued in this behalf.

5.4 Deleted

Import of Gifts 5.5 Import of gifts shall be permitted where such goods are otherwise freely importable under this Policy. In other cases, a Customs Clearance Permit (CCP) shall be required.

Passenger Baggage. 5.6 Bonafide household goods and personal effects may be imported as part of a passenger baggage. Samples of such items that are otherwise freely importable under this Policy may also be imported as part of a passenger baggage without a licence. Exporters coming from abroad are also allowed to import drawings, patterns, labels, price tags, buttons, belts, trimming and embellishments required for export, as part of their passenger baggage without a licence.

Import on Export Basis 5.7 (a) New or second hand jigs, fixtures, dies (including contour roller dies), moulds (including moulds for die-casting), patterns, press tools and lasts, construction machinery, containers/ packages meant for packing of goods for export and other equipments, may be imported for export without a licence on execution of Legal Undertaking/Bank Guarantee with the Customs Authorities

(b) Deleted

Re-Import Of Goods Repaired Abroad

5.8 Capital goods, aircraft including their components, spare parts and accessories, whether imported or indigenous, may be sent abroad for repairs, testing, quality improvement or upgradation of technology and re-imported without a licence.

Import Of Machinery And Equipment Used In Projects Abroad.

5.9 After completion of the projects abroad, project contractors may import, without a licence, used construction equipment, machinery, related spares upto 20% of the CIF value of such machinery, tools and accessories. Used office equipment and vehicles may also be imported after completion of the projects abroad without a licence provided they have been used for at least one year.

Sale on High Seas

5.10 Sale of goods on high seas for import into India may be made subject to this Policy or any other law for the time being in force.

Import under Lease Financing

5.11 Permission of licensing authority is not required for import of new capital goods under lease financing.

CHAPTER 6

EXPORT PROMOTION CAPITAL GOODS SCHEME

Scheme

6.1 New capital goods, including computer software systems, may be imported under the Export Promotion Capital Goods (EPCG) Scheme.

Import on Concessional Duty

6.2 Capital goods (CG), including jigs, fixtures, dies, moulds and spares may be imported at 5% Customs duty subject to an export obligation equivalent to 5 times CIF value of capital goods on FOB basis or 4 times the CIF value of capital goods on NFE basis to be fulfilled over a period of 8 years reckoned from the date of issuance of licence.

For calculation of NFE, the provision of paragraph 12.6 of the Policy shall apply.

Eligibility

6.3 (a) Under the scheme, manufacturer exporters with or without supporting manufacturer(s)/ vendor(s), merchant exporters tied to supporting manufacturer(s) and service providers are eligible to import capital goods. The capital goods imported by the licence holder shall be installed at the factory of the licence holder or his supporting manufacturer(s)/ vendor(s).

(b) If the licence issued under the scheme has actually been utilised for import of a value in excess of or less than 10% of the CIF value of the licence, license shall be deemed to have been enhanced/ reduced by that proportion. Export obligation shall accordingly be enhanced/ reduced as per the actual utilisation of the licence.

Conditions for Import of Capital Goods

6.4 Import of capital goods shall be subject to Actual User condition till the export obligation is completed.

Export Obligation

6.5 The following conditions shall apply to the fulfillment of the export obligation:

(i) The export obligation shall be fulfilled by the export of goods manufactured or produced by the use of the capital goods imported under the scheme. The export obligation may also be fulfilled by the export of same goods, for which EPCG licence has been obtained, manufactured or produced in different manufacturing units of the licence holder/ specified supporting manufacturer(s)/ vendor(s).

However, if exporter is processing further to add value on the goods so manufactured, the export obligation shall stand enhanced by 50%.

(ii) The exports shall be direct exports in the name of the EPCG licence holder. However, tne export through third party(s) is also allowed provided the name of the EPCG Licence holder is also indicated on the shipping bill. If a merchant exporter is the importer, the name of the supporting manufacturer shall also be indicated on the shipping bills. At the time of export, the EPCG licence No. and date shall be endorsed on the shipping bills which are proposed to be presented towards discharge of export obligation.

(iii) Export proceeds shall be realised in freely convertible currency except for deemed exports under paragraph 6.5(iv). However, in case of exports against irrevocable letter of credit in free foreign exchange, realisation of export proceeds need not be insisted for fulfillment of export obligation.

(iv) Exports shall be physical exports. However, deemed exports as specified in paragraph 10.2 (a), (b), (d), (f), and (g) of Policy shall also be counted towards fulfillment of export obligation, but the EPCG licence holder shall not be entitled to claim any benefit under paragraph 10.3 of this Policy in respect of such deemed exports. The supplies made to the Oil and Gas sector may be counted towards discharge of export obligation against an EPCG licence provided the licence has been issued on or before 31.3.2000 and no benefit under paragraph 10.3 of the Policy has been claimed on such supplies.

(V) The export obligation under the scheme shall be, in addition to any other export obligation undertaken by the importer, except the export obligation for the same product as defined in paragraph 6.5(vi) below. The export obligation under the scheme, shall be, over and above, the average level of exports achieved by him in the preceding three licensing years for same and similar products. Wherever the average level of export was fixed taking into account the exports made to such countries as are notified by the DGFT from time to time for this purpose, the average level of exports shall be reduced by excluding exports made to these countries. This waiver shall be applicable to all EPCG licences which have not been redeemed/ regularised.

However, exports made against any EPCG licence, except the EPCG licences, which have been redeemed, shall not be added up for calculating the average export performance for the purpose of the subsequent EPCG licence. If the exporter achieves an export of 75% of the annual value of the production of the relevant export product, the export obligation against the EPCG licence shall be subsumed under that export, provided the aggregate value of such exports during the specified period shall not be less than the aggregate value of the export obligation fixed under paragraph 6.2 of this Policy.

(vi) Where the manufacturer exporter has obtained licences for the manufacture of the same export product both under EPCG and the Duty Exemption or Diamond Imprest Licence Scheme or made exports under DEPB/DFRC/ replenishment licences, the physical exports made under these Schemes shall also be counted towards the discharge of the export obligation under EPCG scheme.

(vii) In case of export of computer software, agriculture, aquaculture, animal husbandry, floriculture, horticulture, pisciculture, viticulture, poultry and sericulture, the export obligation shall be determined in accordance with paragraph 6.2 of the Policy, but the licence holder shall not be required to maintain the average level of exports as specified in sub- paragraph (v) above.

6.6 Deleted

Import of Components and Goods in Disassembled/ Un-assembled Condition

6.7 A person may apply for a licence under the EPCG scheme to import the capital goods in dis-assembled/ un-assembled condition to be assembled into capital goods by the importer or components of such capital goods required for assembly or manufacture of capital goods by the importer. This facility shall not be available for replacement of parts.

Indigenous Sourcing of Capital Goods and benefits to domestic supplier

6.8 (i) A person holding an EPCG licence may source the capital goods from a domestic manufacturer instead of importing them. The domestic manufacturer supplying capital goods to EPCG licence holders shall be eligible for deemed export benefit under paragraph 10.3 of the Policy.

882 DGFT/2001—3A

In the event of a firm contract between the EPCG licence holder and domestic manufacturer for such sourcing, the domestic manufacturer may apply for the issuance of Advance Licence for deemed exports for the import of inputs including components required for the manufacturer of said capital goods.

The domestic manufacturer may also replenish the inputs including components after supply of capital goods to the EPCG licence holders. The export obligation relating to the EPCG licence shall be reckoned with reference to the CIF value of the licence actually utilized.

Fulfillment of export obligation by domestic supplier

(ii) Notwithstanding anything stated in paragraph 6.5 above, the domestic manufacturer supplying capital goods against EPCG licence shall be required to fulfill the export obligation by supplying the specified capital goods as indicated on the licence and by receiving payment from EPCG licence holder through normal banking channels.

CHAPTER 7

DUTY EXEMPTION/REMISSION SCHEMES

7.1 The Duty Exemption Scheme enables import of inputs required for export production. The Duty Remission Scheme enables post export replenishment/ remission of duty on inputs used in the export product.

7.2 An Advance Licence is issued under Duty Exemption Scheme to allow import of inputs, which are physically incorporated in the export product (making normal allowance for wastage). In addition, fuel, oil, energy, catalysts etc. which are consumed in the course of their use to obtain the export product, may also be allowed under the scheme. Advance Licence can be issued for:-

a) Physical exports

b) Intermediate supplies

c) Deemed exports.

Advance Licences can also be issued on the basis of annual requirement for exports/supplies as mentioned at (a) to (c) above in accordance with the conditions given in Handbook (Vol.1).

Duty Remission Scheme consists of (a) Duty Free Replenishment Certificate and (b) Duty Entitlement Passbook Scheme. The scheme allows drawback of import charges on inputs used in the export product (making normal allowance for the wastage).

Advance Licence

7.3(a) Advance Licence is issued for duty free import of inputs, as defined in paragraph 7.2, subject to actual user condition. Such licences (other than Advance Licence for deemed exports) are exempted from payment of basic customs duty, additional customs duty, anti dumping duty and safeguard duty, if any. However, Advance Licence for deemed export shall be exempted from basic customs duty and additional customs duty only. Such licences are issued to:-

(i) Manufacturer exporter or Main contractor in case of deemed exports.

(ii) Merchant exporter where the merchant exporter agrees to the endorsement of the name(s) of the supporting manufacturer(s) on the relevant DEEC Book and in the case of deemed exports, sub contractor(s) whose name(s) appear in the main contract.

Such licences and/or materials imported thereunder shall not be transferable even after completion of export obligation.

Such licences shall be issued with a positive value addition. However, for exports for which payments are not received in freely convertible currency, the same shall be subject to value addition as specified in Appendix- 39 of Handbook (Vol.1) , 1997-2002.

Advance Licence shall be issued in accordance with the Policy and procedure in force on the date of issue of licence and shall be subject to the fulfillment of a time bound export obligation as may be specified.

The facility of Advance Licence shall also be available where some of the inputs are supplied free of cost to the exporter. In such cases, for calculation of value addition, the notional value of free of cost inputs alongwith value of other duty-free inputs shall be taken into consideration.

Advance Licence for Intermediate Supply

(b) Advance Licence may be issued for intermediate supply to a manufacturer-exporter for the import of inputs required in the manufacture of goods to be supplied to the ultimate exporter/deemed exporter holding another Advance Licence.

Advance Licence for Deemed Export

(c) Advance Licence can be issued for deemed export to the main contractor for import of inputs required in the manufacture of goods to be supplied to the categories mentioned in paragraph 10.2(b), (c), (d), (e), (f) and (g) of the Policy.

In addition, in respect of supply of goods to specified projects mentioned in paragraph 10.2 (d), (e), (f) & (g) of the Policy, an Advance Licence for deemed export can also

be availed by the sub-contractor of the main contractor to such project. Such licence for deemed export can also be issued for supplies made to United Nations Organisations or under the Aid Programme of the United Nations or other multilateral agencies and paid for in foreign exchange.

Duty Free Replenishment Certificate (DFRC)

7.4 Duty Free Replenishment Certificate is issued to a merchant-exporter or manufacturer-exporter for the import of inputs used in the manufacture of goods without payment of basic customs duty, and special additional duty. However, such inputs shall be subject to the payment of additional customs duty equal to the excise duty at the time of import.

(i) Duty Free Replenishment Certificate shall be issued only in respect of export products covered under the SIONs as notified by DGFT. However, DFRC shall not be issued in respect of SIONs which are subject to "actual user" condition or where the input is allowed with prior import condition or where the norms allow import of acetic anhydride, ephedrine and pseudo ephedrine in the Handbook (Vol-II).

(ii) Duty Free Replenishment Certificate shall be issued for import of inputs, as per SION, having same quality, technical characteristics and specifications as those used in the end product and as indicated in the shipping bills. The validity of such licences shall be 18 months. DFRC and or the material(s) imported against it shall be freely transferable.

(iii) The Duty Free Replenishment Certificate shall be subject to a minimum value addition of 33%.

(iv) The export products, which are eligible for modified VAT, shall be eligible for CENVAT credit. However, non excisable, non dutiable or non centrally vatable products, shall be eligible for drawback at the time of exports in lieu of additional customs duty to be paid at the time of imports under the scheme.

(v) The exporter shall be entitled for drawback benefits in respect of any of the duty paid materials, whether imported or indigenous, used in the export product as per the drawback rate fixed by Directorate of Drawback (Ministry of Finance). The drawback shall however be restricted to the duty paid materials not covered under SION.

(vi) Duty Free Replenishment Certificate may be issued in respect of exports for which payments are received in non-convertible currency. Such exports shall, however, be subject to value addition as specified in Appendix–39 of Handbook (Vol.1).

Jobbing, Repairing etc. For Re-Export

7.5 Import of goods, including those mentioned as restricted in ITC(HS) but excluding prohibited items, in terms of paragraph 7.2 supplied free of cost, may be permitted for the purpose of jobbing without a licence as per the terms of notification issued by Department of Revenue from time to time.

Export Obligation

7.6 The period for fulfillment of the export obligation under Advance Licence shall be as prescribed in the Handbook (Vol.1).

Advance Release Orders

7.7 An Advance Licence holder (except Advance Licence for intermediate supply) and holder of DFRC intending to source the inputs from indigenous sources/state trading enterprises / EOU/ EPZ/SEZ/ EHTP/STP units in lieu of direct import has the option to source them against Advance Release Orders denominated in foreign exchange/ Indian rupees. In such a case the licence shall be invalidated for direct import and a permission in the form of ARO shall be issued which will entitle the supplier to the benefits of deemed export. The transferee of a Duty Free Replenishment Certificate shall also be eligible for ARO facility.

Back-to-Back Inland Letter of Credit

7.8 An Advance Licence holder, (except Advance Licence for intermediate supply) and holder of DFRC may, instead of applying for an Advance Release Order, avail of the facility of Back-to-Back Inland Letter of Credit in accordance with the procedure specified in Handbook (Vol.1).

Prohibited Items

7.9 Prohibited items of imports mentioned in ITC(HS) shall not be imported under the licences issued under the scheme.

Compliance with Export Policy

7.10 Goods mentioned as restricted for exports in ITC(HS) may be exported without specific export licence under Advance Licence for physical exports issued with prior import condition. In such cases, the licence holder shall not be allowed to use indigenous inputs and the export product shall be manufactured only out of imported inputs under Advance Licence for physical exports.

Re-import of Exported Goods under Advance Licence.

7.11 Goods exported under Advance Licence/DFRC/ DEPB may be re-imported in the same or substantially the same form subject to such conditions as may be specified by the Department of Revenue from time to time.

Admissibility of Drawback

7.12 In the case of an Advance Licence, the drawback shall be available in respect of any of the duty paid materials, whether imported or indigenous, used in the goods exported, as per the drawback rate fixed by Ministry of Finance (Directorate of Drawback). The Drawback shall however be restricted to the duty paid materials as indicated in the DEEC.

Value Addition

7.13 The value addition for the purposes of this chapter shall be:-

$$VA = \frac{A - B}{B} \times 100, \text{ where}$$

VA is Value Addition

A is the FOB value of the export realised /FOR value of supply received.

B is the CIF value of the imported inputs covered by the licence, plus any other imported materials used on which the benefit of duty drawback is being claimed.

Duty Entitlement Passbook Scheme (DEPB) 7.14 For exporters not desirous of going through the licensing route, an optional facility is given under DEPB. The objective of Duty Entitlement Passbook Scheme is to neutralise the incidence of Customs duty on the import content of the export product. The neutralisation shall be provided by way of grant of duty credit against the export product.

Under the Duty Entitlement Passbook Scheme (DEPB), an exporter may apply for credit, as a specified percentage of FOB value of exports, made in freely convertible currency. The credit shall be available against such export products and at such rates as may be specified by the Director General of Foreign Trade by way of public notice issued in this behalf, for import of raw materials, intermediates, components, parts, packaging material etc.

The holder of Duty Entitlement Passbook Scheme (DEPB) shall have the option to pay additional customs duty, if any, in cash as well.

Validity 7.15 The DEPB shall be valid for a period of 12 months from the date of issue.

Transferability 7.16 The DEPB and/or the items imported against it are freely transferable. The transfer of DEPB shall however be for import at the port specified in the DEPB which shall be the port from where exports have been made. Imports from a port other than the port of export shall be allowed under TRA facility as per the terms and conditions of the notification issued by Department of Revenue.

Applicability of Drawback 7.17 The exports made under the DEPB Scheme shall not be entitled for drawback. However, the additional customs duty paid in cash on inputs under DEPB shall be adjusted as CENVAT Credit or Duty Drawback as per rules framed by the Deptt. of Revenue. In cases, where the Additional Customs Duty is adjusted from DEPB, no benefit of CENVAT/Drawback shall be admissible.

CHAPTER 8

DIAMOND GEM & JEWELLERY EXPORT PROMOTION SCHEMES

Scheme for Gem and Jewellery 8.1 Exporters of gem and jewellery are eligible to import their inputs by obtaining Replenishment (REP) Licences and Diamond Imprest Licences from the licensing authorities in accordance with the procedure specified in this behalf.

Replenishment Licence 8.2 The exporters of gem and jewellery products listed in Appendix 30-A of the shall be eligible for grant of Replenishment Licences at the rate and for the items mentioned in the said Appendix to import and replenish their inputs. Exports through third party are also admissible for REP Licences. The exports made in fulfillment of export obligation against Diamond Imprest Licences shall not qualify for this benefit. Replenishment licence may also be issued for import of consumables or for plain/studded jewellery as per the details given in paragraph 8.88 of Handbook (Vol.1).

Diamond Imprest Licence 8.3 Diamond Imprest Licence may be issued, in advance, for import of rough diamonds from any source. Diamond Imprest Licence for import of cut & polished diamonds for mixing with cut & polished diamonds or for export as it is, may also be issued for export of cut & polished diamonds. Such licences shall carry an export obligation which has to be discharged in accordance with the procedure specified in this behalf.

Eligibility 8.4 An exporter may apply for a licence for import of rough diamonds:

(a) Equal to the best export performance of cut and polished diamonds in the licensing year during the preceding three licensing years, if he has a minimum of three licensing year of export performance.

(b) Against a valid export order in his own name.

An exporter of cut & polished diamonds who is status holder may also be issued a licence for import of cut & polished diamonds upto 5% of the export performance of the preceding year of cut & polished diamonds.

Export Obligation

8.5 The export obligation against each consignment shall be fulfilled within a period of five months from the date of clearance of such consignment through Customs. Exports made from the date of receipt of an application under this scheme by the licensing authority may be accepted towards discharge of export obligation. However, at no point of time, the importer shall be required to maintain records of individual import consignments nor will they be required to co-relate export consignments with the corresponding import consignments towards fulfillment of export obligation.

8.6 Deleted

8.7 Deleted

8.8 Deleted.

8.9 Deleted

Bulk Licences for Rough Diamonds

8.10 Bulk licences for rough diamonds are issued for import of rough diamonds from any source, with an obligation to supply such diamonds to the holder of valid REP/Diamond Imprest Licence, EOU/EPZ units or to re-export the same. The supply/export of such rough diamonds shall be completed within a period of 12 months from the date of issuance of licence or within a period of three months from the date of import, whichever is later.

Eligibility

8.11 The eligibility to apply for Bulk Licence is prescribed in the Handbook (Vol.1).

8.12 If the eligible person is a limited company registered under the Companies Act, its 100% owned subsidiary may apply for the Bulk Licence in lieu of the eligible person.

Private/Public Bonded Warehouse

8.13 Private /Public Bonded Warehouses may be set up in EPZ/DTA for import and re-export of cut & Polished diamonds, cut & polished coloured gemstones, import and re-export of rough diamonds, uncut & unset precious & semi-precious stones and DTA sales of rough diamonds, uncut & unset precious & semi-precious stones against REP/GEM REP/Diamond Imprest licences subject to payment of customs duty wherever applicable; notwithstanding anything contained in paragraph 9.21 of Exim Policy. These private/public bonded warehouse for selling rough diamonds, uncut & unset precious & semi-precious stones in DTA shall follow the procedure given in paragraph 8.24 and 8.25 of Handbook (Vol.1). Import & re-export of cut & polished diamonds & cut & polished coloured gemstones will be subject to achievement of minimum value addition of 5%.

Diamond & Jewellery Dollar Accounts

8.13 (a) Firms and companies dealing in the purchase/sale of rough or cut and polished diamonds/diamond studded jewellery with a track record of at least 3 years in import or export of diamonds/ diamond studded jewellery and having an average annual turnover of Rs. 5 crore or above during preceding three licensing years may also carry out their business through designated Diamond Dollar Accounts. The Diamond Dollar Account Scheme shall operate under the current licensing scheme of this chapter. This scheme shall be optional and those importers/exporters who wish to continue to use Rupee Accounts shall be allowed to do so under the existing policies. Dollars in such accounts available from bank finance and/or export proceeds shall be used only for (i) import/purchase of rough diamonds from overseas/local sources, (ii) purchase of cut and polished diamonds from local sources, (iii) import/purchase of gold from overseas/nominated agencies and repayment of dollar loans from the bank and (iv) transfer to the Rupee Account of the exporter. Details of this Diamond Dollar Accounts Scheme (DDAS) are given in the Handbook (Vol.1). The procedure outlined in the Handbook (Vol.1) shall also apply to diamond studded jewellery.

A non DDA holder is also permitted to supply cut and polished diamonds to DDA holder, receive payment in dollars and convert same into rupees within the period of 7 days and the cut and polished diamonds so supplied by non-DDA holder will also be counted towards the discharge of his export obligation and/or entitled him to replenishment licence as the case may be.

Export of Cut & Polished Diamonds For Certification/ Grading

8.13 (b) Gems and Jewellery exporters with a track record of at least three years and having an annual average turnover of Rs. 5 crores and above during the preceding three licensing years may be permitted to export cut & polished diamonds each weighing 0.50 of a carat and above, for the purpose of certification/grading reports by the laboratories/agencies like Gemological Institute of America (GIA), The Robert Mouawad Campus, International Gemmological Institute (IGI) and European Gemological Laboratory(EGL) in USA, Hoge Raad voor Diamand, Antwerp, (HRD), World Diamond Centre of Diamonds High Council, Antwerp, Belgium with a condition that the same should be re-imported with the certificate/grading reports from the agencies without any import duty at the time of re-import.

At the time of export of cut and polished diamonds for certification/grading, exporter should give an undertaking to the customs that the cut and polished diamonds will be re-imported within three months of exports for certification/grading. The export invoice should clearly indicate the estimated value, height, circumference, weight of each diamond to be exported for certification/ grading so that at the time of their import, the above specification could be compared with the original ones to establish their identity. Subsequently these cut and polished diamonds would be exported as per the provisions of the Policy.

Schemes for Gold/ Silver/ Platinum Jewellery

8.14 Exporters of gold/silver/platinum jewellery and articles thereof may import their essential inputs such as gold, silver, platinum, mountings, findings, rough gems, precious and semi-precious stones, synthetic stones and unprocessed pearls etc. in accordance with the procedure specified in this behalf.

Nominated Agencies

8.15 The exporter availing the schemes of gold/silver/platinum jewellery and articles thereof may obtain gold/silver/platinum from the nominated agencies. The nominated agencies are MMTC Ltd, Handicraft and Handloom Export Corporation (HHEC), State Trading Corporation (STC), The Project and Equipment Corporation of India Ltd (PEC) and any agency authorised by Reserve Bank of India (RBI) a bank authorised by RBI is allowed export of gold scrap for refining and import in the form of standard gold bars.

Items of Export

8.16 The following items, if exported, would be eligible for the facilities under these schemes:

(a) Gold jewellery, including partly processed jewellery and any articles including medallions and coins (excluding the coins of the nature of legal tender), whether plain or studded, containing gold of 8 carats and above;

(b) Silver jewellery including partly processed jewellery and any articles including medallions and coins (excluding the coins of the nature of legal tender and any engineering goods) containing more than 50% silver by weight;

(c) Platinum jewellery including partly processed jewellery and any articles including medallions and coins (excluding the coins of the nature of legal tender and any engineering goods) containing more than 50% platinum by weight.

Value Addition

8.17 The value addition will be as given in Handbook (Vol.1).

Wastage Norms

8.18 Under the schemes for gold/silver/platinum jewellery, the wastage or manufacturing loss shall be admissible as specified in the Handbook (Vol.1).

Export Against Supply by Foreign Buyer

8.19 Where export orders are placed on the nominated agencies/ status holder/ exporters of three years standing having an annual average turnover of Rs. Five Crores during the preceding three licensing years, the foreign buyer may supply to the nominated Agencies/ status holder/exporter, in advance and free of charge, gold/silver/platinum, alloys, findings and mountings of gold/ silver/platinum for manufacture and export. The exports may be made by the nominated agencies directly or through their associates or by the status holder/exporter as the case may be. The import and export of findings shall be on net to net basis.

The foreign buyer may also supply to the nominated agencies/status holder/ exporter in advance and free of charge plain, semi finished gold/silver/platinum jewellery including findings/ mountings/ components for repairs/re-make and export subject to minimum value addition of 10%. However, if the so imported semi finished gold/silver /platinum jewellery is exported as studded jewellery, value addition of 15% shall be achieved. In such cases of export, wastage of 2% may be permitted.

The procedures in this regard shall be as prescribed in the Handbook (Vol.1)

Export Through Exhibitions/ Export Promotion Tours/Export of Branded Jewellery

8.20 The nominated agencies and their associates, with the approval of Ministry of Commerce, and others, with the approval of Gem & Jewellery Export Promotion Council (GJEPC), may export gold/silver/platinum jewellery and articles thereof for holding/ participating in exhibitions abroad. Personal carriage of gold/silver/platinum jewellery, precious, semi-precious stones, beads and articles and export of branded jewellery is also permitted. These exports shall be subject to the conditions as given in the Handbook (Vol.1):

8.21 Deleted.

Export Against Supply by Nominated Agencies

8.22 The exporter may obtain the gold/silver/platinum as an input for export products from nominated agencies in advance or as replenishment after exports in accordance with the procedure specified in this behalf.

Export Against Advance Licence

8.23 A quantity based Advance Licence may be granted for the duty free import of:

(a) Gold of fineness not less than 0.995 and mountings, sockets, frames and findings of 8 carats and above;

(b) Silver of fineness not less than 0.995 and mountings, sockets, frames and findings containing more than 50% silver by weight;

(c) Platinum of fineness not less than 0.900, mountings, sockets, frames and findings containing more than 50% platinum by weight.

8.24 Such licences shall carry an export obligation which will be required to be fulfilled in accordance with the procedure specified in this behalf.

8.25 The advance licence holder may obtain gold/silver/platinum from the nominated agencies in lieu of direct import in accordance with the procedure specified in this behalf.

8.26 to 8.36 Deleted.

Replenishment Licence

8.37 An exporter is eligible for freely transferable Replenishment (REP) Licence at the rate of 87% of the FOB value of exports of plain gold/ platinum jewellery and articles thereof, and 80% of the FOB value of export of studded gold/platinum jewellery and articles thereof. Besides, the exporter will be eligible for freely transferable Replenishment (REP) Licence at the rate of 70% of the FOB value of exports of plain silver jewellery and articles thereof, and 65% of the FOB value of export of studded silver jewellery and articles thereof. Such REP licences are valid for import of items as given in .

Gem Replenishment Licence

8.38 Gem Replenishment (Gem REP) Licence may be issued under the schemes for export of gold/silver/platinum jewellery and articles thereof as given in paragraph 8.19, 8.20, 8.22 and 8.23 of the Policy. In the case of plain gold/silver/platinum jewellery and articles, the value of such licences shall be determined with reference to the realisation in excess of the prescribed minimum value addition. In the case of studded gold/silver/platinum jewellery and articles thereof, the value of Gem Replenishment Licence shall be determined by taking into account the value of studdings used in items exported, after accounting for the value addition on gold/silver/platinum including admissible wastage. Such Gem REP licences shall be freely transferable.

Gem REP Rate and Item

8.39 The scale of replenishment and the item of import will be as prescribed in Appendix 30-B of Handbook (Vol.1).

Personal Carriage of Export/ Import Parcels

8.40 Personal carriage of gems and jewellery export parcels by foreign bound passengers and personal carriage of gems & jewellery import parcels by an Indian importer/foreign national may be permitted as per the conditions given in Handbook (Vol.1).

CHAPTER- 9

EXPORT ORIENTED UNITS (EOUs), UNITS IN EXPORT PROCESSING ZONES (EPZs), ELECTRONICS HARDWARE TECHNOLOGY PARKS (EHTPs) AND SOFTWARE TECHNOLOGY PARKS (STPs)

Eligibility 9.1 Units undertaking to export their entire production of goods and services may be set up under the Export Oriented Unit (EOU) Scheme, Export Processing Zone (EPZ) Scheme, Electronic Hardware Technology Park (EHTP) Scheme or Software Technology Park (STP) Scheme. Such units may be engaged in manufacture, services, trading, repair, remaking, reconditioning, re-engineering including making of gold/ silver/ platinum jewellery and articles thereof, agriculture, including agro-processing, aquaculture, animal husbandry, bio-technology, floriculture, horticulture, pisciculture, viticulture, poultry, sericulture and granites and may export all products except prohibited items of exports in ITC (HS).

Export and importability of goods 9.2 An EOU/EPZ/EHTP/STP unit may export goods and services including agro-products, partly processed jewellery, sub-assemblies and components. It may also export by-products, rejects, waste scrap arising out of the production process.

An EOU/EPZ/EHTP/STP unit may import without payment of duty all types of goods, including capital goods, as defined in the Policy, required by it for its activities as mentioned in paragraph 9.1 above or in connection therewith, provided they are not prohibited items of imports in the ITC (HS). The units shall also be permitted to import goods required for the approved activity, including capital goods, free of cost or on loan from clients.

EOU/EPZ/EHTP/STP units may procure goods required by it for its activities or in connection therewith, without payment of duty, from bonded warehouses in the DTA set up under the Policy.

STP/EHTP/EPZ may import without payment of duty all types of goods for creating a central facility for use by software development units in STP/EHTP/EPZ. The central facility for software development can also be accessed by units in the DTA for export of software.

An EOU engaged in agriculture, animal husbandry, floriculture, horticulture, pisciculture, viticulture, poultry or sericulture may import without payment of duty only such goods as are permitted to be imported duty free under a Customs Notification issued in this behalf.

EOU/EPZ gem and jewellery units may also source gold/silver/platinum through the nominated agencies.

Second hand Capital Goods 9.3 Second hand capital goods may also be imported without payment of duty.

Leasing of Capital Goods 9.4 An EOU/EPZ/EHTP/STP unit may, on the basis of a firm contract between the parties, source the capital goods from a domestic/foreign leasing company. In such a case, the EOU/EPZ/EHTP/STP unit and the domestic/foreign leasing company shall jointly file the documents to enable import/ procurement of the capital goods without payment of duty.

Net Foreign Exchange earning as a Percentage of exports (NFEP) and Minimum Export Performance (EP) 9.5 The minimum Net Foreign Exchange earning as a Percentage of exports (NFEP) and the minimum Export Performance (EP) shall be as specified in Appendix I of the Policy. Items of manufacture for export specified in the Letter of Permission (LOP)/Letter of Intent (LOI) alone shall be taken into account for calculation of NFEP and EP.

Legal Undertaking 9.6 The unit shall execute a legal undertaking with the Development Commissioner concerned and in the event of failure to fulfil the performance, as stipulated in Appendix I, it would be liable to penalty in terms of the legal undertaking or under any other law for the time being in force.

Approvals 9.7 Applications for setting up of EOU/EPZ/EHTP/STP units, satisfying the conditions mentioned in paragraph 9.37 of the Handbook (Vol-I) may be approved by the concerned Development Commissioner within 15 days.

Other cases 9.8 In other cases, approval may be granted by the Board(s) of Approval (BOA) set up for this purpose within 45 days.

882 DGFT/2001—4A

DTA Sale of finished products including rejects.

9.9 The entire production of EOU/EPZ/EHTP/STP units shall be exported subject to the following:

(a) Unless specifically prohibited in the LOP/LOI, rejects may be sold in the Domestic Tariff Area (DTA) on payment of duties as applicable to sale under paragraph 9.9(b) of the Policy, on prior intimation to the Customs authorities. Such sales shall be counted against DTA sale entitlement under paragraph 9.9(b) of the Policy. Sale of rejects upto 5% of FOB value of exports shall not be subject to achievement of NFEP.

(b) Units, other than gems and jewellery units, may sell goods/ services upto 50 % of FOB value of exports, subject to fulfilment of minimum NFEP as prescribed in Appendix-I of the Policy and on payment of applicable duties. Sales made to a private bonded warehouse set up under paragraph 11.14 or to trading units set up under paragraph 9.21 of the Policy shall also be taken into account for the purpose of arriving at FOB value of exports by EOU/EPZ units provided payment for such sales are made from EEFC account. No DTA sale shall be permissible in respect of motor cars, alcoholic liquors, tea (except instant tea) and books and such other items as may be notified from time to time.

Gems and jewellery units may sell upto 10% of FOB value of exports of the preceding year in DTA subject to fulfillment of NFEP as prescribed in Appendix 1 of the Policy. In respect of sales of plain jewellery, the recipient shall pay concessional rate of duty to the Customs in Indian rupees as applicable to sale from nominated agencies. In respect of studded jewellery, duty shall be payable in Indian rupees as notified by Customs.

(c) Deleted

(d) Deleted

(e) EOU/EPZ/EHTP/STP units may be permitted to sell finished products which are freely importable under the Policy in the DTA over and above the levels permissible under sub paragraph (b) above, against payment of full duties, provided they have achieved the NFEP and EP as per Appendix-I of the Policy.

(f) Deleted

(g) For services, including software units, sale in the DTA in any mode, including on-line data communication, shall be permissible up to 50% of FOB value of exports and/or 50% of foreign exchange earned, where payment for such services is received in free foreign exchange.

(h) By-products included in the LOP/LOI may also be sold in the DTA subject to achievement of NFEP and on payment of applicable duties within the overall entitlement of paragraph 9.9(b) of the Policy. Sale of by-products beyond the entitlements of paragraph 9.9(b) shall also be permissible on payment of full duties.

Note In the case of units manufacturing electronics hardware and software, the NFEP and DTA sale entitlement shall be reckoned separately for hardware and software.

Other Supplies in DTA

9.10 The following supplies in DTA shall be counted towards fulfillment of NFEP/EP :

(a) Supplies effected in DTA in terms of paragraph 10.2 of the Policy

(b) Supplies effected in DTA against payment from the Exchange Earners Foreign Currency (EEFC) Account of the buyer in the DTA.

(c) Supplies to other EOU/EPZ/EHTP/STP/SEZ units provided that such goods are permissible for procurement in terms of paragraph 9.2 of the Policy.

(d) Supplies made to private bonded warehouses set up under paragraph 11.14 of the Policy and/or under Section 65 of the Customs Act.

(e) Supply of goods against special entitlement of duty free import of goods.

(f) Supply of goods to Defence and internal security forces, foreign missions/ diplomats provided they are entitled for duty free imports of such items in terms of general exemption notification issued by Ministry of Finance.

Export through status holder

9.11 An EOU/EHTP/STP unit may export goods manufactured by it through a merchant exporter/status holder recognized under this Policy or any other EOU/EPZ/EHTP/STP/SEZ unit.

Samples 9.12 EOU/EPZ/EHTP/STP units may, on the basis of records maintained by them, and on prior intimation to Custom authority:

a). Supply or sell samples in the DTA for display/market/ promotion upto 1% of value of previous year's export or maximum of Rs.10 lakhs in case of new unit going into production, on payment of applicable duties;

b). Remove samples without payment of duty, on furnishing a suitable undertaking to Customs authorities for bringing the samples back within a stipulated period;

c). Export samples, including through courier agencies.

d). Samples made in wax models, silver models and rubber moulds may also be exported by Gem & Jewellery units.

Entitlement for supplies from the DTA 9.13 (a) Supplies from the DTA to EOU/EPZ/EHTP/STP units will be regarded as "deemed exports" and, besides being eligible for the relevant entitlements under paragraph 10.3 of this Policy, will be eligible for the following:

(i) Reimbursement of Central Sales Tax.

(ii) Exemption from payment of Central Excise Duty on all goods as per entitlement under Paragraph 9.2 of the Policy

(iii) Discharge of EP, if any, on the supplier.

(b) EOU/EPZ/EHTP/STP units shall, on production of a suitable disclaimer from the DTA suppliers, be eligible for obtaining the entitlements specified in paragraph 10.3 (b) and (c) of the Policy. For the purpose of claiming entitlements at paragraph 10.3 (b), they shall get Brand Rates fixed by the DGFT wherever All Industry Rates of Drawback are not available. Such supplies would, however, be eligible for entitlements specified in paragraph (a) above

(c) Central Excise Duty paid on bulk tea procured from licenced auction centres by EOU/EPZ units would be re-imbursed by Development Commissioner of concerned Zone so long as levy on bulk tea in this regard is in force

(d) Duty paid on fuels procured from domestic oil companies, would be reimbursed to EOU/EPZ/EHTP/ STP units by the Development Commissioner of the concerned Zone as per the rate of Drawback notified by the Directorate General of Foreign Trade from time to time.

(e) Supplier of cut and polished diamonds, precious and semi-precious stones, synthetic stones and processed pearls from DTA to EOU/EPZ units shall be eligible for grant of Replenishment Licenses at the rates and for the items mentioned in Appendix-30A.of the Handbook (Vol.1).

9.14 The entitlements stated under paragraph 9.13 (a) and (b) shall be available provided the goods supplied are manufactured in the country.

Other Entitlements 9.15 Other entitlements of EOU/EPZ/EHTP/STP units are indicated in the Handbook (Vol-I)

Inter Unit Transfer 9.16 (a) Transfer of manufactured goods from one EOU/EPZ/ EHTP/STP unit to another EOU/EPZ/ EHTP/ STP/SEZ unit will be allowed.

(b) Goods imported/procured by an EOU/EPZ/EHTP/STP unit may be transferred or given on loan or lease to another EOU/EPZ/EHTP/STP/SEZ unit which shall be duly accounted for, but not counted towards discharge of export performance

Any capital goods transferred or given on loan shall require prior permission of concerned Development Commissioner

Sub-Contracting 9.17 (a) The EOU/EPZ/EHTP/STP units other than gem and jewellery units, may on the basis of annual permission from the Customs authorities, sub-contract part of their production process in DTA, which may also involve change of form or nature of the goods, through job work by units in the DTA. These units may also sub-contract up to 50% of production for job work in DTA with the permission of Customs authorities. Sub-contracting of both production and production process may also be undertaken through other EOU/EPZ/EHTP/STP/SEZ units on the basis of records maintained in the unit. Subcontracting of part of production process may also be permitted abroad with the approval of the Board of Approval.

(b) EOU/EPZ units may undertake job-work for export, on behalf of DTA exporter, with the permission of Customs authorities, provided the goods are exported directly from the EOU/EPZ units and export documents are in the name of the DTA exporter. For such exports, the DTA units will be entitled to refund of duty paid on the inputs by way of Brand Rate of duty drawback.

(c) The scrap/waste/remnants generated at the job worker's premises may be either cleared from the job worker's premises on payment of duty or returned to the supplying unit.

(d) Gems and jewellery EOU/EPZ units are allowed to receive plain gold/silver/platinum jewellery, including findings, components and semi-finished jewellery from DTA against exchange of gold/silver/platinum of the same purity and quantity in weight as that of the said jewellery. The DTA units supplying such jewellery, against exchange of gold/ silver/ platinum shall not be entitled for deemed export benefits. The EOU/EPZ units shall not be eligible for wastage or manufacturing loss against such jewellery

Sale of Un-utilised Material

9.18 In case an EOU/EPZ/EHTP/STP unit is unable, for valid reasons, to utilize the goods, imported or procured from DTA, it may dispose them in the DTA, on payment of applicable duties and submission of import license by DTA unit, wherever applicable or export. Supply from one EOU/EPZ/EHTP/STP unit to another such unit would be treated as import under this paragraph.

9.19 Capital goods and spares that have become obsolete/surplus, may either be exported or disposed of in the DTA on payment of applicable duties. The benefit of depreciation, as applicable, will be available in case of disposal in DTA. No duty shall be payable if the goods are destroyed with the permission of Customs authorities.

Disposal of Scrap/ Waste/ Remnants

9.20 Scrap/waste/remnants arising out of production process or in connection therewith may be exported or may be sold in the DTA on payment of duties as applicable under paragraph 9.9(b) of the Policy within the overall ceiling of 50% of FOB value of exports but shall not be subject to achievement of minimum NFEP. Sales beyond this limit shall be on payment of full duties.

There shall be no duties/taxes on such scrap/waste/ remnants in case the same are destroyed with the permission of Customs authorities.

Trading Units

9.21 Trading units may be set up subject to achievement of NFEP and EP as prescribed in Appendix-I. Such units shall be permitted to sell waste/ scrap in the DTA in accordance with the import Policy in force with the prior permission of the Development Commissioner, on payment of full duties.

The provisions of paragraphs 9.9, 9.10, 9.11, 9.12, 9.16 and 9.17 of this Chapter shall not apply to trading units.

The trading units may also undertake packing and labeling and shall be eligible for duty free procurement of packing, labelling materials and the capital goods required in connection therewith.

Trading units may also procure goods without payment of duty from other EOU/EPZ/EHTP/STP/SEZ units for exports.

Reconditioning Repair and Re-engineering

9.22 EOU/EPZ/EHTP/STP units may be set up to carry out reconditioning, repair, remaking, testing, calibration, quality improvement, up-gradation of technology and re-engineering activities for export in freely convertible foreign currency. Such units may import goods of any origin for export in freely convertible foreign exchange for the above activities. The provisions of paragraphs 9.9, 9.10, 9.11, 9.12, 9.13 , 9.16 and 9.17 of this chapter shall not, however, apply to such activities.

Replacement/Repair of Goods

9.23 a) The provisions of paragraph 11.9 and 11.11 of the Policy relating to export of replacement/repaired goods would also apply equally to EOU/EPZ/EHTP/STP units, save that, cases not covered by the provisions of paragraph 11.9 and 11.11 will be considered on merits by the Development Commissioner.

b) The goods sold in the DTA and found to be defective may be brought back for repair/replacement under intimation to the Development Commissioner

Replacement/ Repair of imported/ indigenous goods

9.24 Goods or parts thereof on being imported/ indigenously procured and found defective or otherwise unfit for use or which have been damaged or become defective after import/ procurement may be returned and replacement obtained or destroyed. In the event of replacement, the goods may be brought back from the foreign suppliers or their authorized agents in India or indigenous suppliers.

Period of Bonding

9.25 The initial bonding period for units under the EOU/EHTP/STP Schemes shall be 5 years. This period may be extended further by the Development Commissioner concerned for period of 5 years at a time.

Debonding 9.26 Subject to the approval of the Development Commissioner, EOU/EPZ/EHTP/STP units may be debonded. Such debonding shall be subject to payment of duties of Customs and Excise and the industrial policy in force at the time of debonding.

If the unit has not achieved the obligations under the scheme, the debonding shall also be subject to penalty as may be imposed by the competent authority.

In the event of a gem and jewellery unit ceasing its operation, gold and other precious metals, alloys, gem and other materials available for manufacture of jewellery, shall be handed over to an agency nominated by the Ministry of Commerce and Industry (Department of Commerce) at the price to be determined by that agency

9.27 An EOU/EPZ/EHTP/STP unit may also be permitted by the Development Commissioner, as a one time option, to debond on payment of duty on capital goods under the prevailing EPCG Schemes, subject to the unit satisfying the eligibility criteria under that Scheme and standard conditions, as per Appendix 16-C of the Handbook (Vol-I).

Conversion 9.28 a). Existing DTA units, may also apply for conversion into an EOU/EHTP/STP unit, but no concession in duties and taxes would be available under the scheme for plant, machinery and equipment already installed.

b). The existing EHTP/STP units may also apply for conversion/merger to EOU unit and vice-versa. In such cases the units will continue to remain in bond and avail the permissible exemption in duties and taxes as applicable under the relevant scheme.

Monitoring of NFEP/EP 9.29 Net Foreign exchange Earning as a Percentage of exports (NFEP) shall be calculated cumulatively for a period of five years from the commencement of commercial production according to the formula given in the Handbook (Vol.1)

The performance of EOU/EPZ units will be monitored as per the Guidelines given in Appendix 16(E) of Handbook (Vol.1).

Export Through Exhibitions/ Export Promotion Tours/Export of Branded jewellery 9.30 EOU/EPZ gem and jewellery units shall be entitled for the following:

a). Export gold/silver/platinum jewellery and articles thereof for holding/participating in exhibitions abroad with the permission of Development Commissioner.

b). Personal carriage of gold/silver/platinum jewellery, precious, semi-precious stones, beads and article.

c). Export of jewellery, including branded jewellery is also permitted for display/sale in the permitted shops set up abroad.

d). Display/sell in the permitted shops set up abroad or in the show rooms of their distributors/agents.

e). Set up show rooms/retail outlets at the International Airports for sale of plain and studded jewellery to foreign tourists.

Re-export of gem and jewellery 9.31 a). Gem and jewellery EOU/EPZ units may re-export of imported goods and export of domestically procured goods, including goods generated out of partial processing / manufacture. Besides, supply of unsuitable/ broken cut and polished diamonds, rough diamonds precious and semi-precious stones, upto 5% of the value of imported or indigenously procured goods to the DTA against the valid REP/GEM REP/Diamond Imprest Licences as applicable on payment of appropriate duty is also permitted.

b). Jewellery samples imported may be re-exported after proper identification.

Personal Carriage of Export/ Import Parcels 9.32 Personal carriage of gems and jewellery export parcels by foreign bound passengers and personal carriage of gems and jewellery import parcels by an Indian/foreign national may be permitted as per the conditions given in Handbook (Vol.1).

Setting up of EPZ in Private/Joint/ State Sector 9.33 An EPZ may be set up in the private/ joint sector or by State Government as notified by the Ministry of Commerce and Industry

NOTE: In the case of units under EHTP/STP Schemes, necessary approval / permission under rele paragraphs of this Chapter shall be granted by the officer designated by the Ministr Information Technology for the purpose instead of the Development Commissioner of EPZ by the Inter-Ministerial Standing Committee (IMSC) instead of BOA.

CHAPTER 9-A

SPECIAL ECONOMIC ZONES

Eligibility 9-A.1 Special Economic Zone (SEZ) is a specifically delineated duty free enclave and shall be deemed to be foreign territory for the purposes of trade operations and duties and tariffs.

Goods going into the SEZ area from DTA shall be treated as deemed exports and goods coming from the SEZ area into DTA shall be treated as if the goods are being imported.

SEZ units may be set up for manufacture of goods and rendering of services, production, processing, assembling, trading, repair, remaking, reconditioning, re-engineering including making of gold/ silver/platinum jewellery and articles thereof or in connection therewith.

Export and Importability of Goods. 9-A.2 a). SEZ units may export goods and services including agro-products, partly processed jewellery, sub-assemblies and component. It may also export by-products, rejects, waste scrap arising out of the production process.

b). SEZ unit may import without payment of duty all types of goods, including capital goods, as defined in the Policy, whether new or second hand, required by it for its activities or in connection therewith, provided they are not prohibited items of imports in the ITC(HS). The units shall also be permitted to import goods required for the approved activity, including capital goods, free of cost or on loan from clients.

SEZ units may procure goods required by it without payment of duty, from bonded warehouses in the DTA set up under the Policy.

SEZ may import, without payment of duty, all types of goods for creating a central facility for use by software development units in SEZ. The central facility for software development can also be accessed by units in the DTA for export of software.

Gem & Jewellery and Jewellery units may also source gold/ silver/ platinum through the nominated agencies.

SEZ units may also import/procure from DTA specified goods without payment of duty and subject to such conditions, as may be notified by the Government, for setting up of units in the Zone.

Leasing Of Capital Goods 9-A.3 SEZ unit may, on the basis of a firm contract between the parties, source the capital goods from a domestic/foreign leasing company. In such a case the SEZ unit and the domestic/ foreign leasing company shall jointly file the documents to enable import/procurement of the capital goods without payment of duty.

Net Foreign exchange Earning (NFE) 9-A.4 SEZ unit shall be a positive net foreign exchange earner. Net Foreign exchange Earning (NFE) shall be calculated cumulatively for a period of five years from the commencement of commercial production according to the formula given in Paragraph 9.A-4 of the Handbook(Vol-I).

Monitoring of performance 9-A.5 The performance of SEZ units shall be monitored by a committee comprising of Development Commissioner and Customs. The Committee shall be headed by the Development Commissioner. It will also see that the wastage/manufacturing loss on gold/silver/platinum jewellery and articles are within the overall percentage prescribed in Appendix- 41 of Handbook (Vol-I). In case of higher wastage/ manufacturing loss, the committee shall satisfy itself of the reasonableness of the same.

The performance of SEZ units shall be monitored as per the guidelines given in Appendix-16-E of Handbook (Vol-I).

Self Certification All activities of SEZ units, unless otherwise specified, shall be through self certification procedure.

Legal Undertaking 9-A.6 The unit shall execute a legal undertaking with the Development Commissioner concerned and in the event of failure to achieve positive foreign exchange earning it shall be liable to penalty in terms of the legal undertaking or under any other law for the time being in force.

Approvals and Applications 9-A.7 Applications for setting up of SEZ units, satisfying the conditions mentioned in paragraph 9-A.19 of the Handbook (Vol.1) may be given approval by the concerned Development Commissioner of SEZ. In other cases, approval may be granted by the Board of Approvals (BOA) set up for this purpose.

DTA Sales and Supplies 9-A.8 SEZ unit may sell goods, including by-products, and services in DTA in accordance with the import policy in force, on payment of applicable duty.

DTA sale by service/Trading units shall be subject to achievement of positive NFE cumulatively.

The following supplies effected in DTA by SEZ units will be counted for the purpose of fulfilment of positive NFE:

(a). Supplies effected in DTA in terms of paragraph 10.2 of the Policy;

(b). Supplies made to bonded warehouses set up under paragraph 11.14 of the Policy and/or under Section 65 of the Customs Act.

(c). Supplies to other EOU/EPZ/SEZ/EHTP/STP units provided that such goods are permissible for procurement by such units in terms of paragraph 9.2 and paragraph 9-A.2 of the Policy.

(d). Supplies against special entitlement of duty free import of goods

(e). Supplies of goods to defence and internal security forces, foreign missions/diplomats provided they are entitled for duty free import of such items in terms of general exemption notification issued by the Ministry of Finance.

Entitlement for Supplies from the DTA

9-A.9 (a) Supplies from the DTA to SEZ units will be regarded as 'deemed exports' and, besides being eligible for the relevant entitlements under paragraph 10.3 of this Policy, will be eligible for the following:

(i) Reimbursement of Central Sales Tax;

(ii) Exemption from payment of Central Excise Duty on all goods eligible for procurement as per paragraph 9.A.2 of the policy.

(iii) Discharge of export performance (EP), if any, on the supplier.

(iv) Reimbursement Central Excise Duty, if any, paid on bulk tea procured by EOU/EPZ units so long as levy on bulk tea in this regard is in force.

(v) Reimbursement Duty paid on fuels or any other goods procured from DTA as per the rate of drawback notified by the Directorate General of Foreign Trade from the date of such notification.

(b) SEZ units shall, on production of a suitable disclaimer from the DTA suppliers, be eligible for obtaining the entitlements specified in paragraph 10.3 (b) and (c) of the Policy. For the purpose of claiming entitlements at paragraph 10.3 (b), they shall get Brand Rates Fixed by the DGFT wherever All Industry Rates of Drawback are not available. Such supplies would, however, be eligible for entitlements specified in paragraph (a) above.

(c) Supplier of cut and polish diamonds, precious and semi-precious stones, synthetic stones and processed pearls from Domestic Tariff Area to the units situated in SEZ shall be eligible for grant of Replenishment Licenses at the rates and for the items mentioned in Appendix-30A of the Handbook (Vol. I).

The entitlements under paragraph (a) (i) to (iv) above shall be available provided the goods supplied are manufactured in India

Export Through Status Holder

9-A.10 An SEZ unit may also export goods manufactured by it through a merchant exporter/ status holder recognised under this Policy or any other EOU/EPZ/SEZ/ EHTP/STP unit.

Inter-unit Transfer

9-A.11 (a) Transfer of manufactured goods, including partly processed/semi-finished goods from one SEZ unit to another SEZ/EOU/EPZ/EHTP/STP unit will be allowed.

(b) Goods imported/procured by an SEZ unit may be transferred or given on loan to another SEZ/EOU/EPZ/EHTP/STP unit which shall be duly accounted for, but not counted towards discharge of export performance.

Transfers of goods in terms of sub-paras (a) and (b) above within the same SEZ shall not require any permission but the units shall maintain proper accounts of the transaction.

Other Entitlements

c). Other entitlements of SEZ units are indicated in the Handbook (Vol-1).

Sub-Contracting

9-A.12 (a). SEZ unit, may subcontract a part of their production or production process through units in the DTA or through other SEZ/EOU/EPZ/EHTP/STP with the permission of Customs authorities. Subcontracting of part of production process may also be permitted abroad with the approval of the Board of Approval.

(b). Subcontracting by SEZ gems and jewellery units shall be subject to following conditions :-

i). Goods, finished or semi-finished, including studded jewellery, containing quantity and purity equal to the gold/silver/platinum so taken out, shall be brought back to the Zone within 30 days. Further, no diamond, precious or semi-precious stones shall be allowed to be taken out of the Zone for sub-contracting.

ii). Receive plain gold/silver/platinum jewellery from DTA in exchange of gold/silver/platinum of equal quantity and purity.

iii). SEZ units shall not be eligible for wastage or manufacturing loss against the jewellery received from DTA after processing as mentioned in (i) and against exchange of gold/silver/platinum as mentioned in (ii).

iv). The DTA unit undertaking job work or supplying jewellery against exchange of gold/silver/platinum shall not be entitled to deemed export benefits.

(c). All units, including gem and jewellery, may sub-contract part of the production or production process through other units in the same SEZ without permission of Customs authorities subject to records being maintained by both the supplying and receiving units.

(d). SEZ units other than gems and jewellery units may be allowed to undertake job-work for export, on behalf of DTA exporter, provided the finished goods are exported direct from SEZ units. For such exports, the DTA units will be entitled for refund of duty paid on the inputs by way of Brand Rate of duty drawback.

(e). Scrap/waste/remnants generated through job work may either be cleared from the job worker's premises on payment of applicable duty or returned to the unit.

De-bonding 9-A.13 SEZ unit may be debonded with the approval of the Development Commissioner. Such debonding shall be subject to payment of applicable Customs and Excise duties on the imported and indigenous capital goods, raw materials etc. and finished goods in stock. In case the unit has not achieved positive NFE, the debonding shall be subject to penalty, that may be imposed by the adjudicating authority under Foreign Trade (Development and Regulation) Act, 1992.

SEZ unit may also be permitted by the Development Commissioner, as one time option, to debond on payment of duty on capital goods under the prevailing EPCG Scheme, subject to the unit satisfying the eligibility criteria of that Scheme and standard conditions, as per Para 9-A.13 of the Handbook (Vol-I).

Export through Exhibitions/ Export Promotion Tours/Export of branded jewellery/ Export through show rooms abroad/Duty Free Shops. 9-A.14 SEZ gem and jewellery units shall be entitled for the following:

(a). Export gold/silver/platinum jewellery and articles thereof for holding/ participating in exhibitions abroad with the permission of Development Commissioner.

(b). Personal carriage of gold/ silver/ platinum jewellery, precious, semi-precious stones, beads and articles.

(c). Export of jewellery, including branded jewellery is also permitted for display/sale in the permitted shops set up abroad.

(d). Display/sell in the permitted shops set up abroad or in the show rooms of their distributors/agents.

(e). Set up show rooms/retail outlets at the International Airports for sale of plain and studded jewellery to foreign tourists.

Personal carriage of Export/ Import parcel. 9-A.15 Personal carriage of gems and jewellery export parcels by foreign bound passengers and personal carriage of gems and jewellery import parcels by an Indian or foreign national may be permitted as per the conditions given in paragraph 9-A.15 of the Handbook (Vol.1).

Export by post / courier 9-A.16 Gold/silver/platinum jewellery and articles thereof may be exported by airfreight or through Foreign Post Office or through courier.

Disposal of Rejects/Scrap/ Waste/ Remnants 9-A.17 Rejects/scrap/waste/remnants arising out of production process or in connection therewith may be sold in the DTA on payment of applicable duty. No duty shall be payable in case scrap/waste/ remnants/ rejects are destroyed within the Zone after intimation to the Custom authorities or destroyed outside the SEZ with the permission of Custom authorities.

Replacement/ Repair of Goods 9-A.18 (a). The provisions of paragraph 11.9 and 11.11 of the Policy relating to export of replacement/ repaired goods would also apply equally to SEZ units, save that, cases not covered by the provisions of paragraph 11.9 and 11.11 will be considered on merits by the Development Commissioner.

(b). The goods sold in the DTA and found to be defective may be brought back for repair/replacement under intimation to Development Commissioner.

(c). Goods or parts thereof on being imported/ indigenously procured and found defective or otherwise unfit for use or which have been damaged or become defective after import/ procurement may be returned and replacement obtained or destroyed. In the event of replacement, the goods may be brought back from the foreign suppliers or their authorised agents in India or the indigenous suppliers.

(d). Goods may be transferred to DTA for repair/ replacement, testing or calibration, quality testing and R & D purpose under intimation to Customs authorities.

Administration of SEZ 9A.19 SEZ will be under the administrative control of the Development Commissioner.

Setting up of SEZ in Private/ joint/State Sector 9-A.20 A SEZ may be set up in the public, private, joint sector or by state Government as notified by the Ministry of Commerce and Industry. The existing Export Processing Zones (EPZs) may also be converted into SEZ by the Ministry of Commerce and Industry through issue of a notification.

Samples 9A.21 SEZ units may, on the basis of records maintained by them, and on prior intimation to Customs authority:

(a). supply or sell samples in the DTA for display/market promotion on payment of applicable duties;

(b). Remove samples without payment of duty, on furnishing a suitable undertaking to Customs authorities for bringing the good back within a stipulated period;

(c). Export samples, including through courier agencies. Samples made in wax models, silver models and rubber moulds may also be exported.

Sale of Un-Utilised Material/ Obsolete goods 9A.22 (a). In case an SEZ unit is unable, for valid reasons, to utilize the goods, including capital goods and spares, it may dispose them in the DTA in accordance with the import policy in force and on payment of applicable duties or export them.

(b). Capital goods and spares that have become obsolete/surplus may either be exported or disposed of in the DTA on payment of applicable duties. The benefit of depreciation, as applicable, will be available in case of disposal in DTA.

(c). No duty shall be payable if the goods are destroyed with the permission of Customs authorities

(d). SEZ unit may be allowed by Customs/Central Excise authorities concerned to donate imported/ indigenously procured computer and computer peripherals, including printer, plotter, scanner, monitor, key-board and storage units without payment of duty, two years after their import/procurement and use by the units, to recognized non-commercial educational institutions, registered charitable hospitals, public libraries, public funded research and development establishments, organisations of the Government of India or Government of a State or Union Territory as per Custom/ Central Excise notification issued in this regard.

Entitlement for SEZ Developer 9-A 23 (i) Developer of SEZ in the Private/Joint/State sector may import/ procure from DTA specified goods without payment of duty and subject to such conditions as may be notified by the Government for the development of SEZ.

(ii) SEZ developer shall be eligible for various entitlements as provided for in the Income Tax Act for developing SEZ.

Transitional Arrangements 9-A.24 An existing EPZ unit will have the following options:

(a). It can opt for SEZ Scheme under this Chapter. On conversion, its previous obligations as an EPZ unit shall be subsumed by its obligations under the SEZ Scheme. The raw materials, components, consumable and finished goods lying in stock with the unit at the time of conversion shall be taken as its opening balance under the SEZ Scheme. All un-utilised DTA sale entitlements of the unit shall cease to exist from the date of conversion as notified by the Ministry of Commerce and Industry

(b). In case an existing EPZ unit decides not to opt for (a) above, it can either convert into an EOU or de-bond. In both the cases, the unit shall physically move out of the SEZ.

CHAPTER 10

DEEMED EXPORTS

Definition 10.1 "Deemed Exports" refers to those transactions in which the goods supplied do not leave the country.

Categories of Supply 10.2 The following categories of supply of goods by the main/ sub-contractors shall be regarded as "Deemed Exports" under this Policy, provided the goods are manufactured in India:

(a) Supply of goods against Advance Licence/DFRC under the Duty Exemption /Remission Scheme;

(b) Supply of goods to Export Oriented Units (EOUs) or units located in Export Processing Zones (EPZs) or Special Economic Zone (SEZs) or Software Technology Parks (STPs) or to Electronic Hardware Technology Parks (EHTPs);

(c) Supply of capital goods to holders of licences under the Export Promotion Capital Goods (EPCG) scheme;

(d) supply of goods to projects financed by multilateral or bilateral agencies/funds as notified by the Department of Economic Affairs, Ministry of Finance under International Competitive Bidding in accordance with the procedures of those agencies/ funds, where the legal agreements provide for tender evaluation without including the customs duty;

(e) supply of capital goods, including in unassembled/ disassembled condition as well as plants, machinery, accessories, tools, dies and such goods which are used for installation purposes till the stage of commercial production and spares to the extent of 10% of the FOR value to fertiliser plants.

(f) supply of goods to any project or purpose in respect of which the Ministry of Finance, by a notification, permits the import of such goods at zero customs duty coupled with the extension of benefits under this chapter to domestic supplies;

(g) Supply of goods to the power and refineries not covered in (f) above.

(h) Supply of marine freight containers by 100% EOU (Domestic freight containers–manufacturers) provided the said containers are exported out of India within 6 months or such further period as permitted by the Customs; and

(i) Supply to projects funded by UN agencies.

The benefits of deemed exports shall be available under paragraph (d) (e) (f), and (g) only if the supply is made under the procedure of International Competitive Bidding (ICB)

Benefits for Deemed Exports 10.3 Deemed exports shall be eligible for the following benefits in respect of manufacture and supply of goods qualifying as deemed exports:

(a) Advance Licence for intermediate supply/ deemed export.

(b) Deemed Exports Drawback.

(c) Refund of Terminal Excise Duty.

CHAPTER 11

EXPORTS

Free Exports 11.1 All goods may be exported without any restriction except to the extent such exports are regulated by ITC(HS) or any other provision of this Policy or any other law for the time being in force. The Director General of Foreign Trade may, however, specify through a Public Notice such terms and conditions according to which any goods, not included in the ITC(HS), may be exported without a licence. Such terms and conditions may include Minimum Export Price (MEP), registration with specified authorities, quantitative ceilings and compliance with other laws, rules and regulations.

Denomination of Export Contracts 11.2 All export contracts and invoices shall be denominated in freely convertible currency and export proceeds shall be realised in freely convertible currency. Contracts for which payments are received through the Asian Clearing Union (ACU) shall be denominated in ACU Dollar. The Central Government may relax the provisions of this paragraph in appropriate cases. Export contracts and Invoices can be denominated in Indian rupees against EXIM Bank/ Government of India line of credit.

Realisation of Export Proceeds 11.3 If an exporter fails to realise the export proceeds within the time specified by the Reserve Bank of India, he shall, without prejudice to any liability or penalty under any law for the time being in force, be liable to action in accordance with the provisions of the Act, the Rules and Orders made thereunder and the provisions of this Policy.

Export of Gifts 11.4 Goods, including edible items, of value not exceeding Rs.1,00,000/- in a licensing year, may be exported as a gift. However, items mentioned as restricted for exports in ITC(HS) shall not be exported as a gift, without a licence, except in the case of edible items.

Export of Spares 11.5 Warranty spares, whether indigenous or imported, of plant, equipment, machinery, automobiles or any other goods may be exported upto 7.5% of the FOB value of the exports of such goods alongwith the main equipment or subsequently but within the contracted warranty period of such goods.

Export of Passenger Baggage 11.6 Bonafide personal baggage may be exported either along with the passenger or, if unaccompanied, within one year before or after the passenger's departure from India. However, items mentioned as Restricted in ITC(HS) shall require a licence, except in the case of edible items.

Export of Imported Goods 11.7 Goods imported, in accordance with this Policy, may be exported in the same or substantially the same form without a licence provided that the item to be imported or exported is not mentioned as restricted for import or export in the ITC(HS). Exports of such goods imported against payment in freely convertible currency would be permitted against payment in freely convertible currency.

11.8 Goods, including those mentioned as restricted item for import or export (except prohibited items) in ITC(HS), may be imported under Customs Bond for export in freely convertible currency without a licence.

Export of Replacement Goods 11.9 Goods or parts thereof on being exported and found defective/damaged or otherwise unfit for use may be replaced free of charge by the exporter and such goods shall be allowed clearance by the customs authorities provided that the replacement goods are not mentioned as restricted items for exports in ITC(HS).

11.10 Deleted

Export of Repaired Goods 11.11 Goods or parts thereof on being exported and found defective, damaged or otherwise unfit for use may be imported for repair and subsequent re-export. Such goods shall be allowed clearance without a licence and in accordance with customs notification issued in this behalf.

11.12 Deleted

11.13 Deleted

Private Bonded Warehouses for Exports 11.14 Private bonded warehouse exclusively for exports may be set up in DTA as per the terms and conditions of the notifications issued by Department of Revenue. Such warehouse shall be entitled to procure the goods from domestic manufacturers without payment of duty. The supplies made by the domestic supplier to the notified warehouses shall be treated as physical exports provided the payments for the same are made in free foreign exchange.

CHAPTER 12

EXPORT HOUSES, TRADING HOUSES, STAR TRADING HOUSES AND SUPERSTAR TRADING HOUSES

Objective 12.1 The objective of the scheme is to recognise established exporters as Export House, Trading House, Star Trading House and Super Star Trading House with a view to building marketing infrastructure and expertise required for export promotion. Such Houses should operate as highly professional and dynamic institutions and act as important instruments of export growth.

Eligibility 12.2 Merchant as well as Manufacturer exporters, Service providers, Export Oriented Units (EOUs)/ units located in Export Processing Zones (EPZs)/ Special Economic Zone(SEZ's) /Electronic Hardware Technology Parks (EHTPs)/ Software Technology Parks (STPs) shall be eligible for such recognition.

Criterion for Recognition 12.3 The eligibility criterion for such recognition shall be on the basis of the FOB/NFE value of export of goods and services, including software exports made directly, as well as on the basis of services rendered by the service provider during the preceding three licensing years or the preceding licensing year, at the option of the exporter. The exports made, both in free foreign exchange and in Indian Rupees, shall be taken into account for the purpose of recognition.

Exports made by Subsidiary Company 12.4 The exports made by a subsidiary of a limited company shall be counted towards export performance of the limited company for the purpose of recognition. For this purpose, the company shall have the majority share holding in the subsidiary company.

Export Performance Level 12.5 The applicant is required to achieve the prescribed average export performance level subject to the condition that

(a) Deemed exports and exports under paragraph 11.7 shall not be counted for export performance.

(b) Deleted

(c) Deleted

The level of export performance for the purpose of recognition shall be as per the table below:

Category	*Average FOB value during the preceding three licensing years, in Rupees*	*FOB value during the preceding licensing year, in Rupees*	*Average NFE earnings made during the preceding three licensing years , in Rupees*	*NFE earned during the preceding licensing year, in Rupees*
(1)	*(2)*	*(3)*	*(4)*	*(5)*
EXPORT HOUSE	*15 crore*	*22 crore*	*12 crore*	*18 crore*
TRADING HOUSE	*75 crore*	*112 crore*	*62 crore*	*90 crore*
STAR TRADING HOUSE	*375 crore*	*560 crore*	*312 crore*	*450 crore*
SUPER STAR TRADING HOUSE	*1125 crore*	*16 80 crore*	*937 crore*	*1350 crore*

Calculation of Net Foreign Exchange 12.6 For the purpose of calculation of the net foreign exchange earned on exports, the value of all the licences including the value of 2.5 times of the DEPB Credit earned/ granted and the value of duty free gold/ silver/ platinum taken from nominated agency or from foreign supplier shall be deducted from the FOB value of exports made by the person. However, EPCG licences and the value of licences surrendered during the validity of licence shall not be deducted.

Weightage to exports 12.7 For the purpose of recognition, weightage shall be given to the following categories of exports provided such exports are made in freely convertible currency:

(a) Triple weightage on FOB or NFE on the export of products manufactured and exported by units in the Small Scale Industry (SSI)/Tiny sector/Cottage Sector and double weightage on FOB or NFE to merchant exporter exporting products reserved for SSI units and manufactured by units in the Small Scale Industry (SSI)/Tiny sector/Cottage Sector. The facility under this paragraph shall not be available to units exporting gems & jewellery products.

(b) Triple weightage on FOB or NFE on the export of products manufactured and exported by the handlooms and handicraft sector (including handloom made silk products), hand knotted carpets, carpets made of silk and double weightage on FOB or NFE to merchant exporter exporting products manufactured by the handlooms and handicraft sector (including handloom made silk products), hand knotted carpets, carpets made of silk

(c) Double weightage on FOB or NFE for project exports.

(d) Double weightage on FOB or NFE on export of goods manufactured in North Eastern States.

(e) Double weightage on FOB or NFE on export to such countries as listed in Appendix-33 of the Handbook (Vol.1).

(f) Triple weightage on FOB or NFE on the export of products manufactured and exported by The manufacturing units registered with KVIC or KVIBs. However, such units shall not be entitled for the weightage given in sub paragraph (a) and (b) above.

(g) Double weightage on FOB or NFE on exports made by units having ISO 9000(series) or IS/ISO 9000 (series) or ISO 14000 (series) or WHO GMP or HACCP or SEI-CMM Level 2 or Q mark (only for marine products) certification.

(h) Double weightage on FOB or NFE on exports of bar coded products using international symbologies/ numbering system.

(i) Double weightage on FOB or NFE on export of goods manufactured in Jammu and Kashmir.

Recognition for State Corporations

12.8 With a view to encouraging participation of State Governments and Union Territories in export promotion, one State corporation nominated by the respective State Government/Union Territory may be recognized as an Export House, even though the criterion for such recognition is not fulfilled by it. This benefit shall be available only for such period and in accordance with such terms and conditions as may be specified from time to time.

Validity Period

12.9 Status Certificate shall be valid for a period of three years starting from 1st April of the licensing year during which the application for the grant of such recognition is made, unless otherwise specified. On the expiry of such certificate, application for renewal of status certificate shall be required to be made within a period as prescribed in the Handbook (Vol.1). During the said period, the status holder shall be eligible to claim the usual facilities and benefits..

882 DGFT/2001—7B

Facilities

12.10 All status holders shall be entitled to such facilities as specified in Chapter-12 of the Handbook (Vol.1).

Transitional Arrangement

12.11 Status holders shall continue to hold the recognition accorded to them for the period for which such recognition was accorded.

12.12 Deleted

Manufacturing Companies/ Industrial Houses

12.12 (a) Manufacturing companies or Industrial houses with an annual manufacturing turnover of Rs.300 crores and Rs.1,000 crores in the preceding licensing year shall be recognised as Star Trading House and Super Star Trading House respectively on signing a Memorandum of Understanding in the prescribed form for achieving physical exports as currently prescribed for these categories over a period of next three years. Similarly, companies/project exporters, domestic service providers with annual turnover of Rs.100 crores or more in the preceding licensing year shall be recognised as Export House and International Service Export House respectively on signing a Memorandum of Understanding, in the prescribed form, for achieving physical exports as currently prescribed for this category over a period of next three years.

(b) Service providers shall be entitled to recognition as Service Export House, International Service Export House, International Star Service Export House, International Super Star Service Export House on earning free foreign exchange as given in paragraph 15.7 of the Policy.

12.13 Deleted

Golden Status Certificate

12.14 Exporters who have attained Export House, Trading House, Star Trading Houses and Super Star Trading Houses status for three terms or more and continue to export shall be eligible for golden status certificate which would enable them to enjoy the benefits of status certificate irrespective of their actual performance thereafter as per the guidelines issued in this regard from time to time.

CHAPTER 13

EXPORT PROMOTION COUNCILS

Basic Objectives Role and Functions

13.1 The basic objective of Export Promotion Councils is to promote and develop the exports of the country. Each Council is responsible for the promotion of a particular group of products, projects and services. The list of Export Promotion Councils (EPCs) and specified Agencies/ Boards which shall be regarded as EPCs are given in Appendix -31 of the Handbook (Vol.1).

13.2 The main role of the EPCs is to project India's image abroad as a reliable supplier of high quality goods and services. In particular, the EPCs shall encourage and monitor the observance of international standards and specifications by exporters. The EPCs shall keep abreast of the trends and opportunities in international markets for goods and services and assist their members in taking advantage of such opportunities in order to expand and diversify exports.

13.3 The major functions of the EPCs are:

(a) To provide commercially useful information and assistance to their members in developing and increasing their exports;

(b) To offer professional advice to their members in areas such as technology upgradation, quality and design improvement, standards and specifications, product development, innovation etc;

(c) To organise visits of delegations of its members abroad to explore overseas market opportunities;

(d) To organise participation in trade fairs, exhibitions and buyer-seller meets in India and abroad;

(e) To promote interaction between the exporting community and the Government both at the Central and State levels; and

(f) To build a statistical base and provide data on the exports and imports of the country, exports and imports of their members, as well as other relevant international trade data.

Non-profit, Autonomous and Professional Bodies

13.4 The EPCs are non-profit organisations registered under the Companies Act or the Societies Registration Act, as the case may be.

13.5 The EPCs shall be autonomous and regulate their own affairs. However, if the Central Government frames uniform bylaws for the constitution and/or for the transaction of business for EPCs, they shall adopt the same with such modifications as Central Government may approve having regard to the special nature or functioning of such EPC. The EPCs shall not be required to obtain the approval of the Central Government for participation in trade fairs, exhibitions etc. and for sending sales teams/ delegations abroad. The Ministry of Commerce and Industry/ Ministry of Textiles of the Government of India, as the case may be, would interact with the Managing Committee of the Council concerned, twice a year, once for approving their annual plans and budget and again for a mid-year appraisal and review of their performance.

13.6 In order to give a boost and impetus to exports, it is imperative that the EPCs function as professional bodies. For this purpose, executives with a professional background in commerce, management and international marketing and having experience in government and industry should be brought into the EPCs.

Government support

13.7 The EPCs may be provided financial assistance by the Central Government.

Registration cum-Membership

13.8 An exporter may, on application, register and become a member of an Export Promotion Council. On being admitted to membership, the applicant shall be granted forthwith Registration-cum- Membership Certificate (RCMC) of the EPC concerned, subject to such terms and conditions as may be specified in this behalf.

Prospective/potential exporters may also, on application, register and become an associate member of an Export Promotion Council.

CHAPTER 14

BRAND PROMOTION AND QUALITY

Quality Awareness Campaign

14.1 The Central Government aims to encourage manufacturers and exporters to attain internationally accepted standards of quality for their products. The Central Government will extend support and assistance to trade and industry to launch a nationwide programme on quality awareness and to promote the concept of total quality management.

State-Level Programmes

14.2 The Central Government will encourage and assist State Governments in launching similar programmes in their respective States, particularly for the small scale and handicraft sectors.

Test Houses

14.3 The Central Government will assist in the modernisation and upgradation of test houses and laboratories in order to bring them at par with international standards.

Rewards And Benefits

14.4 Due recognition will be given to manufacturers/ processors who have acquired ISO 9000 (series) or IS/ISO 9000 (series) or ISO 14000(series) or HACCP or WHO-GMP or SEI CMM level 2 and above or Q mark (only for marine products) accreditation/certification. Similarly, exporter exporting products with quality trademarks shall be recognised. A list of agencies authorised to issue such certificates is given in Appendix–32B of Handbook (Vol.1). The export of such products which are recognised as branded by an Inter-Ministerial Committee shall not be subject to any value cap for the purpose of DEPB as prescribed in Appendix-28A of Handbook (Vol.1). The supply of branded products to identified departmental store chains shall be encouraged.

Quality Complaints/ Disputes

14.5 The Regional Sub-Committee on Quality Complaints (RSCQC) set up at the Regional Offices of the Directorate General of Foreign Trade shall investigate quality complaints received from foreign buyers. The guidelines for settlement of quality complaints, in particular, and such other complaints, in general, is given in Appendix 50 of Handbook (Vol.1).

14.6 If it comes to the notice of the Director General of Foreign Trade or he has reason to believe that an export or import has been made in a manner gravely prejudicial

(i) to the trade relations of India with any foreign country;

(ii) to the interest of other persons engaged in exports or imports;

(iii) has brought disrepute to the credit or the goods of the country;

The Director General Foreign Trade may take action against the exporter or importer concerned in accordance with the provisions of the Act, the Rules and Orders made thereunder and this Policy.

Brand Promotion

14.7 With the objective of promoting exports of branded products, a Committee has been constituted for identification of such products and upon recognition of such brands by the Committee, the benefits of paragraph 14.4 shall become available for exports of such brands.

Bar Coding Using International Symbologies/ Numbering System

14.8 It is the endeavor of the Central Government to enhance export competitiveness of Indian products and to promote compliance with prevalent international best practices. The National IT Task Force has recommended adoption of Bar Coding for all Indian Products within five years.

Bar Coding, using international Symbologies/Numbering Systems, would enable timely and accurate capture of product information and its communication across the supply chain ahead of the physical product flow. This, in turn, would result in wide ranging benefits, including lowering of inventory costs, lower overall supply chain costs and hence reduced costs for Indian products, increasing efficiency of Indian industry and adherence to stringent quality assurance norms through product traceability.

Bar Coding For Export Of Retail Products.

14.9 With the ultimate objective of facilitating adoption of bar coding for all products using International Symbologies/ Numbering Systems, all exports of finished and packaged items meant for retail sale shall incorporate bar codes following International Symbologies/Numbering Systems from a date to be notified by DGFT.

14.10 Deleted

CHAPTER 15

EXPORT OF SERVICES

Definition 15.1 "Services" include all the 161 tradable services covered under the General Agreement on Trade in Services where payment for such services is received in free foreign exchange. A list of services is given in Appendix -54 of Handbook (Vol.1).

The service providers as defined in paragraph 3.48, rendering services listed in Appendix-54 shall be entitled for the facilities mentioned hereafter.

EPCG Scheme 15.2 The service providers shall be eligible for the facility of EPCG scheme as described in chapter 6 of the Policy. The provisions of paragraph 6.5(vii) shall also extend to the service providers availing licences under this scheme.

EOU/EPZ/SEZ/ STP Scheme 15.3 The service providers shall also be eligible for the facility of EOU/EPZ/SEZ/STP scheme as given in chapter 9 of the Policy.

Passenger Baggage 15.4 Service providers may import drawings, designs, integrated circuits and layout designs, software in diskettes and CDs related to their line of services as a part of passenger baggage without a licence.

Import Of Restricted Items 15.5 Service providers shall be entitled to import restricted items upto 10% of the foreign exchange earned by them during the preceding licensing year for import of essential goods related to their line of business, including office and other equipment required for their own professional use.

Importer Exporter Code 15.6 The service providers shall be required to obtain an IEC in terms of paragraph 4.9 of Policy read with paragraph 4.7 of Handbook (Vol.1).

Status 15.7 Service providers shall be eligible for recognition as Service Export House, International Service Export House, International Star Service Export House, International Super Star Service Export House on achieving the performance level as mentioned below:

Category	*Average free foreign exchange earning during the preceding three licensing years, in Rupees*	*Free foreign exchange earning during the preceding licensing year, in Rupees*	*Average NFE earned made during the preceding three licensing years, in Rupees*	*NFE earned during the preceding licensing year, in Rupees*
(1)	(2)	(3)	(4)	(5)
SERVICE EXPORT HOUSE	4 crores	6 crores	3 crores	5 crores
INTERNATIONAL SERVICE EXPORT HOUSE	20 crores	30 crores	15 crores	25 crores
INTERNATIONAL STAR SERVICE EXPORT HOUSE	100 crores	150 crores	75 crores	125 crores
INTERNATIONAL SUPER STAR SERVICE EXPORT HOUSE	300 crores	450 crores	225 crores	375 crores

The service status holders indicated above shall be entitled to all the facilities mentioned in paragraph 12.10 of the Policy.

15.8 Deleted

15.9 Deleted

CHAPTER -16

AGRICULTURAL EXPORT ZONES

Objective 16.1 In a fast changing international trade environment and with a view to providing remunerative returns to the farming community in a sustained manner, efforts will be made to provide improved access to the produce/ products of the Agriculture and Allied sectors in the international market.

Agri Export Zone 16.2 State Governments may identify product specific Agri export zone for end to end development for export of specific products from a geographically contiguous area. State Government may evolve a comprehensive package of services provided by all State Government Agencies, State Agricultural Universities and all institutions and agencies of the Union Government for intensive delivery in these zones.

Such services which would be managed and co-ordinated by State Government would include provision of pre/post harvest treatment and operations, plant protection, processing, packaging, storage and related research & development, etc. APEDA will supplement, within its schemes and provisions, efforts of State Governments for facilitating such exports.

EPCG Scheme 16.3 Agriculture exporters shall be eligible for the facility of EPCG scheme as described in Chapter-6 of the Policy. The export obligation shall be determined in accordance with paragraph 6.2 of the Policy but the licence holder shall not be required to maintain the average level of exports as specified in sub paragraph 6.5(v) of the Policy.

Such exporter shall have the facility to move or to shift the capital goods within the zone provided he maintains accurate record of such movements. However such equipments shall not be sold or leased by the licence holder. This facility shall also be available to service providers, setting up common infrastructural facilities such as sorting, grading, polishing, packaging, cold storage, transport equipment/ refrigerated vans, vapour treatment heat treatment plant, X-ray screening facility etc.

The units setup in the notified Agri Export Zone shall be entitled to the benefits available under the scheme. A service provider in the Agri Export Zone may import equipment under the EPCG scheme for supplying services to agri exports. The export obligation may be offset by the service provider by earning foreign exchange in lieu of services rendered.

Duty Exemption/ Remission Scheme 16.4 The agriculture exporter shall be entitled to the facility for import of inputs like fertilizers, pesticides, insecticides, packing material etc. under Advance Licence/DFRC/DEPB scheme as given in Chapter-7 of the Policy subject to the eligibility criteria and conditions enumerated under the scheme.

Status 16.5 The agri exporter shall be eligible for recognition as Export House/Trading House/Star Trading House/ Super Star Trading House on achieving the performance level as mentioned below.

Category	*Average FOB value during the preceding three licensing years, in Rupees*	*FOB value during the preceding licensing year, in Rupees*	*Average NFE earnings made during the preceding three licensing years, in Rupees*	*NFE earned during the preceding licensing year, in Rupees*
(1)	(2)	(3)	(4)	(5)
EXPORT HOUSE	*4 crores*	*6 crores*	*3 crores*	*5 crores*
TRADING HOUSE	*20 crores*	*30 crores*	*15 crores*	*25 crores*
STAR TRADING HOUSE	*100 crores*	*150 crores*	*75 crores*	*125 crores*
SUPER STAR TRADING HOUSE	*300 crores*	*450 crores*	*225 crores*	*375 crores*

In addition to the double weightage available under paragraph 12.7, the double weightage on FOB or NFE on the export of agriculture product for recognition as status holders shall be available.

Information Requirements	16.6	A database on agricultural products and markets including aspects of commercial intelligence relevant to exports will be established. Assistance shall be provided to the exporters, growers' organisations, trade association for conducting surveys/ feasibility studies, market studies etc.

APPENDIX - 1

MINIMUM NFEP AND EP REQUIREMENT UNDER THE EOU/EPZ/EHTP/STP SCHEME (PARAGRAPH 9.5 OF THE POLICY).

Name of the sector	Minimum NFEP	Minimum EP for five years
A. MANUFACTURING/ PROCESSING SECTOR		
(I) (i) Units with actual investment in plant and machinery, both imported and indigenous of Rs.5 crore and above.	Positive	US $ 3.5 Million or 3 times the CIF value of imported capital goods whichever is higher.
(II)(i) Electronics Hardware	Positive	US $ 1.00 Million 3 times the CIF value of imported capital goods whichever is higher.
(ii) Agriculture, aquaculture, animal husbandry, horticulture, pisciculture, viticulture, poultry and sericulture.	Positive	-do-
(iii) Biotechnology	-do-	US$ 0.50 million or 3 times the CIF value of imported capital goods, whichever is higher
(iv) Toys all kind	-do-	-do-
(v) Floriculture		US $ 0.25 Million or 3 times the CIF value of imported capital goods, whichever is higher
(vi) Computer software and IT enabled Services	10%	-do-

(III) Gem and jewellery		
Gold/Platinum/Silver		
(i) Gold/platinum/silver unstudded chains and bangles or combination there of manufactured by fully mechanised process.	3%	US $ 1 Million or 3 times the CIF value of imported capital goods, whichever is higher.
(ii)Gold/Silver/Platinum medallions, coins (excluding the coins of the nature of legal tender) and other articles.	3 %	-do-
(iii)Gold/siliver/Platinum findings, moundings manufactured by mechanised process.	3%	-do-
(iv) Plain gold/platinum/silver jewellery and articles or combination thereof and ornaments like Mangalsutra containing gold and black beads, imitation stones, cubic zirconia etc. only but excluding diamonds, precious & semi-precious stones.	7%	-do-
(v) repair/remake of plain Gold/ platinum/silver jewellery	7 %	-do-
(vi) Studded gold/platinum/ silver jewellery and articles thereof or combination thereof.	10 %	-do-
(vii) Repair/remake of gold/ platinum/ silver studded jewellery	10%	-do-

Diamond		
(viii) Cut and polished diamonds (with per carat realization of more than US$ 575 FOB	7%	US $ 1 Million or 3 times the CIF value of imported capital goods, whichever is higher.
(ix) Cut and polished diamonds (with per carat realization of more than US $ 400 and upto US $ 575 FOB)	15%	-do-
(x) Cut and polished diamonds (with per carat realization of more than US $ US $ 260 FOB and upto US $ 400 FOB)	20%	-do-
(xi) Cut and polished diamonds (with per carat realization of more than US $ upto US $ 260 FOB).	25%	-do-
B. TRADING		
(i) Trading units including Gems and Jewellery units.	Positive	US $ 1.00 Million or 3 times the CIF value of imported capital goods whichever is higher
C. SERVICES (Other than IT enable services)	10%	US $ 0.50 Million or 3 times the CIF value of imported capital goods, whichever is higher
D. All Others	10%	US $ 1 million or 3 times the CIF value of imported capital goods, whichever is higher.

PDGFT.1.1997-2002 (E)
11000-2001 (DSK-II)

Price : **Inland Rs. 225.00**
Foreign $ 5 £ 3

प्रकाशन नियंत्रक, दिल्ली द्वारा प्रकाशित, 2001
PUBLISHED BY THE CONTROLLER OF PUBLICATIONS, DELHI, 2001