

## **CHAPTER 3**

### **EXPORTS FROM INDIA SCHEMES**

#### **3.00 Objective**

The objective of schemes under this chapter is to provide rewards to exporters to offset infrastructural inefficiencies and associated costs.

#### **3.01 Exports from India Schemes**

There shall be following two schemes for exports of Merchandise and Services respectively:

- (i) Merchandise Exports from India Scheme (MEIS).
- (ii) Service Exports from India Scheme (SEIS).

#### **3.02 Nature of Rewards**

Duty Credit Scrips shall be granted as rewards under MEIS and SEIS. The Duty Credit Scrips and goods imported / domestically procured against them shall be freely transferable. The Duty Credit Scrips can be used for :

- (i) Payment of Basic Customs Duty and Additional Customs Duty specified under sections 3 (1), 3 (3) and 3 (5) of the Customs Tariff Act, 1975 for import of inputs or goods, including capital goods, as per DoR Notification, except items listed in Appendix 3A.
- (ii) Payment of Central excise duties on domestic procurement of inputs or goods,
- (iii) Deleted

- (iv) Payment of Basic Customs Duty and Additional Customs Duty specified under Sections 3 (1), 3 (3) and 3 (5) of the Customs Tariff Act, 1975 and fee as per paragraph 3.18 of this Policy.

## **Merchandise Exports from India Scheme (MEIS)**

### **3.03 Objective**

Objective of the Merchandise Exports from India Scheme (MEIS) is to promote the manufacture and export of notified goods/ products.

### **3.04 Entitlement under MEIS**

Exports of notified goods/products with ITC[HS] code, to notified markets as listed in Appendix 3B, shall be rewarded under MEIS. Appendix 3B also lists the rate(s) of rewards on various notified products [ITC (HS) code wise]. The basis of calculation of reward would be on realised FOB value of exports in free foreign exchange, or on FOB value of exports as given in the Shipping Bills in freely convertible foreign currencies, whichever is less, unless otherwise specified.

### **3.05 Entitlement under MEIS for export of goods through Courier or Foreign Post Offices<sup>i</sup>**

Export of goods through courier or foreign post office, as notified in Appendix 3C, of FOB value upto Rs 5,00,000 per consignment shall be entitled for rewards under MEIS. If the value of exports is more than Rs 5,00,000 per consignment then MEIS reward would be calculated on the basis of FOB value of Rs 5,00,000 only.

### **3.06 Ineligible categories under MEIS**

The following exports categories /sectors shall be ineligible for

## Duty Credit Scrip entitlement under MEIS

- (i) Supplies made from DTA units to SEZ units
- (ii) Export of imported goods covered under paragraph 2.46 of FTP;
- (iii) Exports through trans-shipment, meaning thereby exports that are originating in third country but trans-shipped through India;
- (iv) Deemed Exports;
- (v) SEZ/ EOU /EHTP/ BTP /FTWZ products exported through DTA units;
- (vi) Export products which are subject to Minimum export price or export duty.
- (vii) Exports made by units in FTWZ.

## Service Exports from India Scheme (SEIS)

### 3.07 Objective

Objective of Service Exports from India Scheme (SEIS) is to encourage and maximize export of notified Services from India.

### 3.08 Eligibility

- (a) Service Providers of notified services, located in India, shall be rewarded under SEIS. Only Services rendered in the manner as per Para 9.51(i) and Para 9.51(ii) of this policy shall be eligible. The notified services and rates of rewards are listed in Appendix 3D.
- (b) Such service provider should have minimum net free foreign exchange earnings of US\$15,000 in year of rendering service to be eligible for Duty Credit Scrip. For Individual Service Providers and sole proprietorship, such minimum net free foreign exchange earnings criteria would be US\$10,000 in year of rendering service. <sup>ii</sup>
- (c) Payment in Indian Rupees for service charges earned on

specified services, shall be treated as receipt in deemed foreign exchange as per guidelines of Reserve Bank of India. The list of such services is indicated in Appendix 3E.

- (d) Net Foreign exchange earnings for the scheme are defined as under:

Net Foreign Exchange = Gross Earnings of Foreign Exchange minus Total expenses / payment / remittances of Foreign Exchange by the IEC holder, relating to service sector in the Financial year.

- (e) If the IEC holder is a manufacturer of goods as well as service provider, then the foreign exchange earnings and Total expenses / payment / remittances shall be taken into account for service sector only.
- (f) In order to claim reward under the scheme, Service provider shall have to have an active IEC at the time of rendering such services for which rewards are claimed.

### **3.09 Ineligible categories under SEIS**

Foreign exchange remittances other than those earned for rendering of notified services would not be counted for entitlement. Thus, other sources of foreign exchange earnings such as equity or debt participation, donations, receipts of repayment of loans etc. and any other inflow of foreign exchange, unrelated to rendering of service, would be ineligible.

### **3.10 Entitlement under SEIS**

Service Providers of eligible services shall be entitled to Duty Credit Scrip at notified rates (as given in Appendix 3D) on net foreign exchange earned.

### **3.11 Remittances through Credit Card and other instruments for MEIS and SEIS**

Free Foreign Exchange earned through international credit cards and other instruments, as permitted by RBI shall also be taken into account for computation of value of exports.

### **3.12 Effective date of schemes (MEIS and SEIS)**

The schemes shall come into force with effect from the date of notification of this Policy, i.e. the rewards under MEIS/SEIS shall be admissible for exports made/services rendered on or after the date of notification of this Policy.

### **3.13 Special Provisions**

- (a) Government reserves the right in public interest, to specify export products or services or markets, which shall not be eligible for computation of entitlement of duty credit scrip.
- (b) Government reserves the right to impose restriction / change the rate/ceiling on Duty Credit Scrip under this chapter.
- (c) Government may also notify goods in Appendix 3A which shall not be allowed for debiting through Duty Credit Scrips in case of import.
- (d) Government may prescribe value cap of any kind for a product(s) or limit total reward per IEC holder under this chapter at any time.

## **Common Provisions for Exports from India Schemes (MEIS and SEIS)**

### **3.14 Transitional Arrangement**

For the goods exported or services rendered upto the date of notification of this Policy, which were otherwise eligible for issuance of scrips under erstwhile Chapter 3 of the earlier Foreign Trade Policy(ies) and scrip is applied / issued on or after notification of this Policy against such export of goods or services rendered, the then prevailing policy and procedure regarding eligibility, entitlement, transferability, usage of scrip and any other condition in force at the time of export of goods or rendering of the services, shall be applicable to such scrips.

### **3.15 CENVAT/ Drawback**

Additional Customs duty specified under Sections 3(1), 3(3) and 3(5) of the Customs Tariff Act, 1975 /Central excise duty paid in cash or through debit under Duty Credit scrip shall be adjusted as CENVAT Credit or Duty Drawback as per DoR rules or notifications. Basic Custom duty paid in cash or through debit under Duty Credit scrip shall be adjusted for Duty Drawback as per DoR rules or notifications.

### **3.16 Import under lease financing**

Utilization of Duty Credit Scrip shall be permitted for payment of duty in case of import of capital goods under lease financing in terms of provision in paragraph 2.34 of FTP.

### **3.17 Transfer of export performance**

- (a) Transfer of export performance from one IEC holder to another IEC holder shall not be permitted. Thus, a shipping bill containing name of applicant shall be counted in export performance / turnover of applicant only if export proceeds

from overseas are realized in applicant's bank account and this shall be evidenced from e - BRC / FIRC.

- (b) However, MEIS, rewards can be claimed either by the supporting manufacturer (along with disclaimer from the company / firm who has realized the foreign exchange directly from overseas) or by the company/ firm who has realized the foreign exchange directly from overseas.

### **3.18 Facility of payment of custom duties and fee through duty credit scrips**

- (a) Duty Credit Scrip can be utilized / debited for payment of Custom Duties in case of EO defaults for Authorisations issued under Chapters 4 and 5 of Foreign Trade Policy. Such utilization /usage shall be in respect of those goods which are permitted to be imported under the respective reward schemes. However, penalty / interest shall be required to be paid in cash.
- (b) Duty credit scrips can also be used for payment of composition fee under FTP, for payment of application fee under FTP, if any and for payment of value shortfall in EO under Para 4.49 of HBP 2015-20.

### **3.19 Risk Management System**

- (a) A Risk Management System shall be in operation whereby every month Computer system in DGFT Headquarters, on random basis and on the basis of guidelines issued by the DGFT from time to time, will select 10% of applications for each RA where scrips and Status Holder Certificates have already been issued, under each scheme. RA in turn may call for original documents in all such selected cases for further examination in detail. In case any discrepancy and/ or over claim is found on such examination, the applicant shall be under obligation to rectify such discrepancy and/or refund over claim in cash with interest at the rate prescribed under section 28 A A of the

Customs Act 1962, from the date of issue of scrip in the relevant Head of Account of Customs within one month. The original holder of scrip, however, may refund such over claim by surrendering the same scrip whether partially utilized or fully unutilized, without interest.

- (b) Regional Authority may ask for original proof of landing certificate (wherever required under the policy), annexures attached to ANFs or any other document, which has been uploaded digitally or any other export related documents related to the application such as Export Invoices at anytime within three years from the date of issue of scrip. Failure to submit such documents in original would make applicant liable to refund the reward granted along with interest at the rate prescribed under section 28 A A of the Customs Act 1962, from the date of issuance of scrip. If an applicant is found to have mis-declared the Item description under any ITC HS Code, appropriate action under FT (D&R) Act, would be taken. It would be the responsibility of applicant to maintain such documents, certificate etc. for a period of at least three years from the date of issuance of scrips or the completion of scrutiny under RMS initiated by the RA whichever is later.

### **3.20 Status Holder**

- (a) Status Holders are business leaders who have excelled in international trade and have successfully contributed to country's foreign trade. Status Holders are expected to not only contribute towards India's exports but also provide guidance and handholding to new entrepreneurs.
- (b) All exporters of goods, services and technology having an import-export code (IEC) number shall be eligible for recognition as a status holder. Status recognition will depend



on export performance. An applicant shall be categorized as status holder on achieving export performance during the current and previous three financial years (for Gems& Jewellery Sector the performance during the current and previous two financial years shall be considered for recognition as status holder) as indicated in paragraph 3.21 of Foreign Trade Policy. The export performance will be counted on the basis of FOB of export earning in freely convertible foreign currencies.

- (c) For deemed export, FOR value of exports in Indian Rupees shall be converted in US\$ at the exchange rate notified by CBEC, as applicable on 1st April of each Financial Year.
- (d) For granting status, export performance is necessary in at least two out of four years.

### 3.21 Status Category

Status Category	Export Performance FOB / FOR (as converted) Value (in US \$ million)
One Star Export House	3
Two Star Export House	25
Three Star Export House	100
Four Star Export House	500
Five Star Export House	2000

### **3.22 Grant of Double Weightage**

- (a) The exports by IEC holders under the following categories shall be granted double weightage for calculation of export performance for grant of status.
  - (i) Micro, Small & Medium Enterprises (MSME) as defined in Micro, Small & Medium Enterprises Development (MSMED) Act 2006.
  - (ii) Manufacturing units having ISO/BIS.
  - (iii) Units located in North Eastern States including Sikkim and Jammu & Kashmir.
  - (iv) Units located in Agri Export Zones.
- (b) Double Weightage shall be available for grant of One Star Export House Status category only. Such benefit of double weightage shall not be admissible for grant of status recognition of other categories namely Two Star Export House, Three Star Export House, Four Star export House and Five Star Export House.
- (c) A shipment can get double weightage only once in any one of above categories.

### **3.23 Other conditions for grant of status**

- (a) Export performance of one IEC holder shall not be permitted to be transferred to another IEC holder. Hence, calculation of exports performance based on disclaimer shall not be allowed.
- (b) Exports made on re-export basis shall not be counted for recognition.
- (c) Export of items under Authorisation, including SCOMET items, would be included for calculation of export performance.

### 3.24 Privileges of Status Holders

A Status Holder shall be eligible for privileges as under:

- (a) Authorisation and Customs Clearances for both imports and exports may be granted on self-declaration basis;
- (b) Input-Output norms may be fixed on priority within 60 days by the Norms Committee ;Special scheme in respect of Input Output Norms to be notified by DGFT from time to time, for specified status holder
- (c) Exemption from furnishing of Bank Guarantee for Schemes under FTP, unless specified otherwise anywhere in FTP or HBP; Exemption from compulsory negotiation of documents through banks. Remittance / receipts, however, would be received through banking channels;
- (d) Two star and above Export houses shall be permitted to establish Export Warehouses as per Department of Revenue guidelines.
- (e) Three Star and above Export House shall be entitled to get benefit of Accredited Clients Programme (ACP) as per the guidelines of CBEC (website: <http://cbec.gov.in>).
- (f) The status holders would be entitled to preferential treatment and priority in handling of their consignments by the concerned agencies.
- (g) Manufacturers who are also status holders (Three Star/Four Star/Five Star) will be enabled to self-certify their manufactured goods (as per their IEM/IL/LOI) as originating from India with a view to qualify for preferential treatment under different preferential trading agreements (PTA), Free Trade Agreements (FTAs), Comprehensive Economic

Cooperation Agreements (CECA) and Comprehensive Economic Partnership Agreements (CEPA). Subsequently, the scheme may be extended to remaining Status Holders.

- (h) Manufacturer exporters who are also Status Holders shall be eligible to self-certify their goods as originating from India as per Para 2.108 (d) of Hand Book of Procedures.
- (i) Status holders shall be entitled to export freely exportable items (excluding Gems and Jewellery, Articles of Gold and precious metals) on free of cost basis for export promotion subject to an annual limit as below:
  - a. Annual limit of 2% of average annual export realization during preceding three licensing years for all exporters (excluding the exporters of following sectors-(1) Gems and Jewellery Sector, (2) Articles of Gold and precious metals sector).
  - b. Annual limit of Rupees One Crore or 2% of average annual export realization during preceding three licensing years, whichever is lower. (for exporters of the following sectors-(1) Gems and Jewellery Sector, (2) Articles of Gold and precious metals sector)
  - c. In case of supplies of pharmaceutical products, vaccines and lifesaving drugs to health programmes of international agencies such as UN, WHO-PAHO and Government health programmes, the annual limit shall be upto 8% of the average annual export realisation during preceding three licensing years.

The free of cost supplies made under provisions of Para 3.24(j) shall not be entitled to Duty Drawback or any other export incentive under any export promotion scheme.<sup>iii</sup>

- i Amended vide Notification 22 dated 26.07.2018
- ii Amended vide Notification no. 8 dated 24.05.2018
- iii Amended vide Notification no. 28 dated 27.08.2018

This document is only for ease of reference. The Foreign Trade Policy read with the relevant notification will have only legal authority.