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EXPORT INCENTIVES IN INDIA

In order to promote exports and to obtain foreign exchange, the Government of India has framed several schemes. These schemes grant incentives and other benefits. The few important export incentives, from the point of view of indirect taxes are briefed below:

Free Trade Zones & Tax Heavens

Trade Zones like Special Economic Zones (SEZs), Export Oriented Units (EOUs), Electronics Hardware Technology Parks (EHTPs), Software Technology Parks (STPs) and Bio-Technology Parks (BTPs) has been given consent by the Government in order to promote exports. No excise duties are payable on goods manufactured in these zones provided they are made for export purpose only. Goods being brought in these zones from different parts of the country are brought without the payment of any excise duty. Moreover, no customs duties are payable on imported raw material and components used in the manufacture of such goods being exported.

Export Promotion Capital Goods Scheme (EPCG)

According to this scheme, a domestic manufacturer can import machinery and plant without paying customs duty or settling at a concessional rate of customs duty.

Deemed Exports

The Indian suppliers are entitled for the following benefits in respect of deemed exports:

- Refund of excise duty paid on final products
- Duty drawback
- Imports under DEEC scheme
- Special import licenses based on value of deemed exports

The following categories are treated as deemed exports for seller if the goods are manufactured in India:

- Supply of goods against duty free licences under DEEC scheme
- Supply of goods to a 100 % EOU or a unit in a free trade zone or a unit in a software technology park or a unit in a hardware technology park
- Supply of goods to holders of licence under the EPCG scheme
- Supply of goods to projects financed by multilateral or bilateral agencies or funds notified by the Finance Ministry under international competitive bidding or under limited tender systems in accordance with the procedures of those agencies or funds where legal agreements provide for tender evaluation without including customs duty
- Supply of capital goods and spares upto 10% of the FOR value to fertilizer plants under international competitive bidding
- Supply of goods to any project or purpose in respect of which the Ministry of Finance permits by notification the import of goods at zero customs duty along with benefits of deemed exports to domestic supplies



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- Supply of goods to power, oil and gas sectors in respect of which the Ministry of Finance permits by notification benefits of deemed exports to domestic supplies

Manufacture under Bond

This scheme furnishes a bond with the manufacturer of adequate amount to undertake the export of his production. Against this the manufacturer is allowed to import goods without paying any customs duty, even if he obtain it from the domestic market without excise duty. The production is made under the supervision of customs or excise authority.

Duty Drawback

It means the rebate of duty chargeable on imported material or excisable material used in the manufacturing of goods in and is exported. The exporter may claim drawback or refund of excise and customs duties being paid by his suppliers. The final exporter can claim the drawback on material used for the manufacture of export products. In case of re-import of goods the drawback can be claimed. The following are Drawbacks:

- Customs paid on imported inputs plus excise duty paid on indigenous imports.
- Duty paid on packing material.
- Drawback is not allowed on inputs obtained without payment of customs or excise duty. In part payment of customs and excise duty, rebate or refund can be claimed only on the paid part.

In case of re-export of goods, it should be done within 2 years from the date of payment of duty when they were imported. 98% of the duty is allowable as drawback, only after inspection. If the goods imported are used before its re-export, the drawback will be allowed as at reduced percent.

As suggested by the Trade and Industry, instead of number of schemes like Quantity Based Advance Licence (QBAL), Value Based Advance Licence (VABAL), Special VABAL Schemes in respect of Electronics, Engineering, Ready-made Garments, Pharmaceuticals and Pass Book Scheme, the new EXIM Policy has only two schemes i.e. Advance Licensing Scheme corresponding to QBAL and a new scheme known as Duty Entitlement Pass Book Scheme (DEPB).

Advance Licence / Duty Exemption Entitlement Scheme (DEEC)

In this scheme advance licence, either quantity based (QBAL) or value based (VABAL), is given to an exporter against which the raw materials and other components may be imported without payment of customs duty provided the manufactured goods are exported. These licenses are transferable in the open market at a price.

DEPB Scheme incorporates the concept of the old Pass Book but with simplified procedures and greater coverage and transparency in the matter of giving credit entitlements. The entitlement rate will be pre-determined so that the exporters at the time of exports can do their costing accordingly. It is a transparent scheme and does away with any discretion to the Licensing Authority or Custom Authority.