

# Tax Flash News

10 April 2023

## Foreign Trade Policy 2023

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India's new foreign trade policy (the FTP) was announced on 31 March 2023 (effective from 1 April 2023)<sup>1</sup> setting out blueprint for India as a global market. While the FTP was released in March 2023, introduction of schemes like Remission of Duties or Taxes on Export Products, Rebate of State and Central Taxes and Levies, discussion on Development of Enterprise and Service Hubs Bill and fading of Merchandise/ Service Export from India schemes has set the stage for this new FTP.

FTP sets aspirational target for achieving growth in export of goods and services to US \$ 2 trillion by 2030. This policy comes with no end date ensuring continuity. Accordingly, FTP should be seen as a living document which will evolve with change in domestic and global economic context.

Some of the noteworthy features which characterise the FTP are:

- Mainstreaming of merchanting trade and international trade transactions in Indian rupee
- Continuity of export linked incentive schemes like Export Promotion Capital Goods and Advance Authorization (EPCG and AA), and EOU
- Emphasis on 'amnesty' for open obligations under EPCG and AA, export control under SCOMET, cross-border e-commerce
- Administrative efficiency by reducing application processing time digitization and e-COO
- Focus on tax remission, instead of incentive linked to exports of goods

### Key highlights of FTP

#### 1. Ease of doing business

- a. Automatic approval and reduction in processing time of applications including EPCG and AA
- b. Self-certification of goods originating in India to substantiate eligibility for preferential treatment
- c. FTP benefits extended for rupee realisations through Special Vostro accounts setup as per RBI circular issued on 11 July 2022

#### 2. Export promotion initiatives

- a. Reduced export performance threshold for recognition of exporter as status holders
- b. Recognition to merchanting trade involving out and out shipment of goods without touching Indian ports, involving an Indian intermediary. This is subject to RBI guidelines and not permissible for goods/ items in the CITES and SCOMET list
- c. Four new towns of export excellence (TEE) declared in addition to the existing 39 towns
- d. Districts to be developed as export hubs to promote exports at a grassroots level
- e. Constitution of a district export promotion committee (DEPC) to prepare and implement a district specific export action plan

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<sup>1</sup> Notification No. 1/2023 dated 31 March 2023, Ministry of Commerce and Industry

### 3. Duty exemption schemes

- a. Continuation of existing export linked duty exemption schemes namely, EPCG and AA
- b. Reduced Export Obligation (EO) requirement under EPCG for Green Technology Products

### 4. E-commerce initiatives

- a. Extension of all FTP benefits to e-Commerce exports
- b. Value limit for exports through courier is increased from INR 5,00,000 to INR 10,00,000 per consignment
- c. Designated hubs with warehousing facility to be notified, to help e-Commerce aggregators for easy stocking, customs clearance and returns processing

### 5. Streamlining SCOMET licensing procedures

- a. Policy for export of dual use items under SCOMET consolidated under FTP for ease of understanding and compliance
- b. Option of voluntary disclosure of failure to comply with SCOMET provisions introduced. Detailed procedure/guidelines on said disclosure to be notified by the DGFT separately

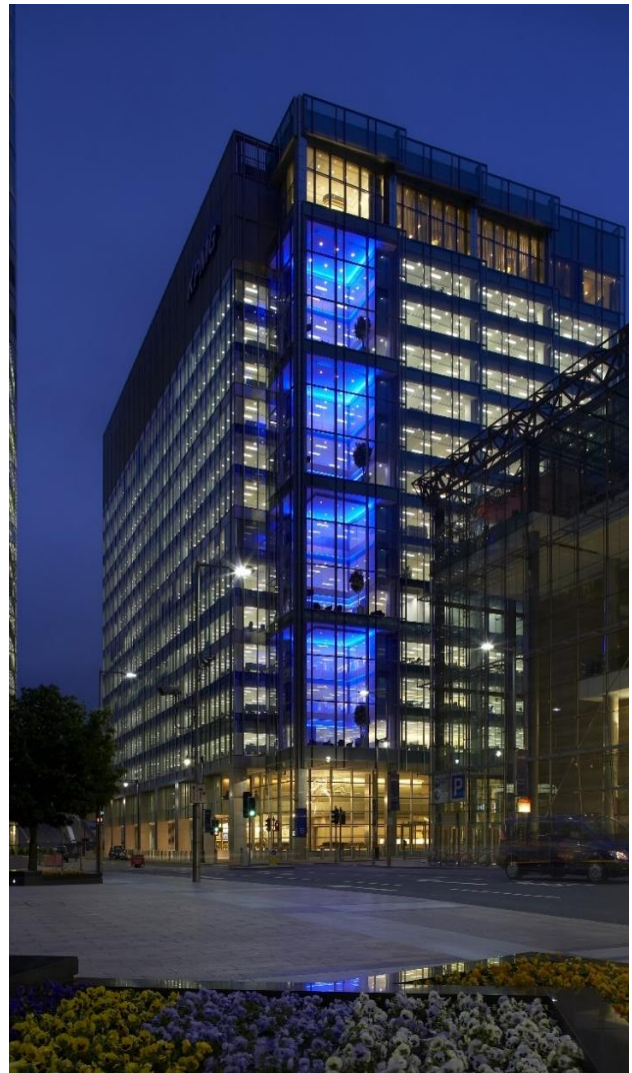
### 6. Amnesty scheme

- a. Introduction of one-time 'Amnesty' scheme for default in export obligations (EO) under EPCG and AA
- b. Covers licence and authorisation under FTP 2009-14 which are issued until 31 March 2015 and for license and authorisation under FTP 2004-09 only in cases where EO period was valid beyond 12 August 2013
- c. Default can be regularized by the authorization holder on payment of Customs duties exempted in proportion to unfulfilled EO and interest
- d. Interest on Basic Customs duty capped at 100%. No interest payable on the portion of Additional Customs duty and Special Additional Customs duty

### Our comments

FTP recognizes the changing landscape of global trade and need for larger and integrated shift in trade and trade linked policy landscape.

FTP should be synthesized together with other Government schemes like Product Linked Incentive (PLI) scheme, Manufacturing and Other Operations in warehouse (MOOWR) scheme, etc. to understand the magnitude of changes driving trade and trade linked policy landscape. FTP is expected to play an important role in the larger policy push to value added manufacturing in India, acquisition of GDP, improved relationship with trade partner countries and hence is expected to trigger unprecedented growth in export over the next decade.



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