

EXPORT PROMOTION COUNCIL FOR EOUs & SEZs

(Ministry of Commerce & Industry, Govt. of India)

705, Bhikaji Cama Bhawan, Bhikaji Cama Place, New Delhi 110066

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L.B. Singhal

Director General

EPCES CIRCULAR NO. 31 DATED 22.9.2008

Sub : Follow-up action of the open house meeting held under the chairmanship of Shri G.K. Pillai, Secretary, Ministry of Commerce & Industry, in Kolkata on 4th September, 2008:-

- (i) DGFT Notification No. 42 dated 18/9/08, permitting DEPB benefits for supply of goods from DTA to SEZ Developers/Co-developers against Indian rupee**
- (ii) DGFT Public Notice No. 81 dated 16/9/08 regarding availability of refund of CST for supply of goods to EOUs.**
- (iii) DGFT Public Notice No. 71 dated 2/9/08, amending bank certificate of payment, given in Appendix 22B, permitting issuance of bank certificate of payment by the Bank of the EOU instead of domestic supplier**
- (iv) Instruction by RBI vide letter Ref.DBOD.Dir(Exp)No. 3704/04.02.02/2008-09 dated 2/9/08 regarding instructions to regional offices for settlement of trade transaction with Iran**

EPCES had organized an open house under the Chairmanship of Shri G.K. Pillai, Secretary Commerce, Ministry of Commerce & Industry, in Kolkata on 4/9/08. In pursuance to the decisions taken in the open house, following actions have been taken by various authorities:-

- (i) DGFT Notification No. 42 dated 18/9/08, permitting DEPB benefits for supply of goods from DTA to SEZ Developers/Co-developers against Indian rupee**

In the open houses, organized by EPCES, in Ludhiana, Bangalore, Surat, Mumbai and Kolkata, SEZ developers/co-developers had pointed out that for supply of goods from DTA to SEZ developer/co-developer, no DEPB benefit or duty drawback benefit is being given as SEZ developer/co-developer can not make payment from foreign currency account as they are not earning foreign currency. In the open house held in Kolkata, Commerce Secretary had informed that we had taken up this issue in the Empowered Group of Ministers meeting (EGOM) and we will issue the instructions permitting DEPB benefits for supply of goods from DTA to SEZ developer/co-developer, even against Indian rupee.

Accordingly, now DGFT has issued Notification No. 42 dated 18/9/08 (copy enclosed), wherein Paragraph 4.3.1 has been amended to read as follows:-

“An exporter may apply for credit, at specified percentage of FOB value of exports, made in freely convertible currency. In case of supply by a DTA Unit to a SEZ Unit /SEZ Developer / Co-Developer, an exporter may apply for credit for exports made in freely convertible currency or payment made from foreign currency account of SEZ Unit / SEZ Developer /Co-Developer. **In addition, the exporter shall also be entitled for DEPB benefit in case payment is made in Indian Rupees by SEZ Developer / Co-Developer for supplies received w.e.f 10.2.2006.**”

Accordingly the major outstanding issue of SEZ developers has been resolved and this facility has been made applicable w.e.f. 10.2.2006 i.e. from the date when SEZ Act was made operational. In respect of duty drawback, the guidelines are under formulation.

(ii) DGFT Public Notice No. 81 dated 16/9/08 regarding availability of refund of CST for supply of goods to EOUs.

In the open house meeting held in Mumbai, a clarification was sought whether reimbursement of CST is available for supply of goods from DTA To EOU for the total supplies to EOU or only on that quantity which is being used for export only. It was clarified that reimbursement of CST is available for the entire quantity of goods which are supplied to EOU as subsequently when the goods are removed to DTA they are subjected to applicable duties.

For implementing this clarification DGFT has issued Public Notice No. 81 dated 16/9/08 (copy enclosed) wherein amendment have been carried out in Appendix 14-I-I of Handbook of Procedures, Vol. I, As per these amendments, Paragraph 2(a), 2(b) of this Appendix, the existing sentence “The supplies from DTA To EOU/EHTP/STP units must be utilized by them for production of **goods meant for export and/or utilized for export of services - - - - -**”, has been substituted by the word “The supplies from DTA to EOU/EHTP/STP units must be utilized by them for **production of goods/services - - - - -**”.

With this amendment this decision has been implemented and the issue stands clarified completely.

(iii) DGFT Public Notice No. 71 dated 2/9/08, amending bank certificate of payment, given in Appendix 22B, permitting issuance of bank certificate of payment by the Bank of the EOU instead of domestic supplier

In the open house meetings in Ludhiana, Surat, Mumbai and Kolkata, EOUs had pointed out that when they are taking supplies from DTA then for claiming deemed export benefits, they are required to give bank certificate of payment, duly signed by the banker of DTA supplier. It was submitted by the EOUs that it becomes very difficult for the EOUs to approach various DTA suppliers and to get certificate from their bankers. Instead it was requested that they should be permitted to give a certificate from the banker of the EOU stating that the payment had been debited from the account of the EOU for the DTA supplier. This request was accepted and it was stated that necessary amendment would be carried out in Appendix 22B of Handbook of Procedures, Vol. I.

Accordingly, now DGFT has issued Public Notice No. 71 dated 2/9/08 (copy enclosed), wherein for supply of goods from DTA to EOU, an alternate bank certificate has been prescribed wherein the **EOU is required to give bank certificate from its bank, certifying that the payment has been debited from the account of the EOU**. Accordingly now in case the deemed export benefits are claimed by EOU on disclaimer basis, then the first portion of the Bank Certificate is to be signed by the DTA recipient stating that he has received the payment and 2nd portion of the Bank Certificate has to be signed by the Bank of the EOU certifying that the payment has been debited from the account of the EOU.

iv) Instruction by RBI vide letter Ref.DBOD.Dir(Exp)No. 3704/04.02.02/2008-09 dated 2/9/08 regarding instructions to regional offices for settlement of trade transaction with Iran

In the open house meeting in Mumbai and Kolkata, it was pointed out that for export to Iran, exporters are facing problem. RBI had agreed that they will issue instructions to the regional offices. Accordingly RBI vide its letter Ref. DBOD.Dir(Exp)No. 3704/04.02.02/2008-09 dated 2/9/08 (copy enclosed), has given the following instructions to the regional offices:-

“Open House Session – item No. 2 – Banks Related issues

Please refer to your letter No. EPC/SEZ/Am04/A.K. dated July 2, 2008 on the captioned subject.

In this connection, we advise that our Foreign Exchange Department (FED) has given instructions to the Regional Offices to expeditiously deal with requests received from exporters for settlement of trade transaction with Iran outside the ACU mechanism on a case to case basis. You may, therefore, advise the concerned exporter to approach that regional office of RBI under whose jurisdiction their head office is situated.”

This is for your information please.

PN : All EPCES Circulars, issued during the last 5 years, have been placed on the website www.eouindia.gov.in & www.sezindia.nic.in. Hence for making a reference to any earlier EPCES Circular you can access the above stated website. To access EPCES Circulars, click on to EPCES logo on the homepage and then click on EPCES Circulars.

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

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE AND INDUSTRY
DEPARTMENT OF COMMERCE

NOTIFICATION No. 42 (RE-2008)/2004-2009

New Delhi, Dated the 18th September, 2008

S.O (E) – In exercise of powers conferred by Section 5 of the Foreign Trade (Development and Regulation) Act, 1992 (No. 22 of 1992) read with Para 1.3 of the Foreign Trade Policy, 2004-2009 (as amended from time to time), the Central Government hereby makes the following amendment in Foreign Trade Policy:

1. The 1st sub-paragraph of paragraph 4.3.1 stands amended as follows:-

“An exporter may apply for credit, at specified percentage of FOB value of exports, made in freely convertible currency. In case of supply by a DTA Unit to a SEZ Unit /SEZ Developer / Co-Developer, an exporter may apply for credit for exports made in freely convertible currency or payment made from foreign currency account of SEZ Unit / SEZ Developer /Co-Developer. In addition, the exporter shall also be entitled for DEPB benefit in case payment is made in Indian Rupees by SEZ Developer / Co-Developer for supplies received w.e.f 10.2.2006.”

This issues in Public Interest.

Sd/-

(R.S. GUJRAL)
DIRECTOR GENERAL OF FOREIGN TRADE
AND EX-OFFICIO ADDITIONAL SECRETARY TO THE GOVT. OF INDIA

(Issued from File No. 01/94/180/SEZ-DEPB/AM09/PC 4)

TO BE PUBLISHED IN THE GAZETTE OF INDIA EXTRAORDINARY (PART-I,
SECTION-I)

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE AND INDUSTRY
DIRECTORATE GENERAL OF FOREIGN TRADE
UDYOG BHAWAN, NEW DELHI

PUBLIC NOTE No. 81 /(RE-2008)/2004-2009
DATED THE 16th SEPTEMBER'2008

In exercise of powers conferred under paragraph 2.4 of the Foreign Trade Policy 2004-09, Director General of Foreign Trade hereby makes the following amendment in the Handbook of Procedures v 1:

1. Para 2 (a) & 2 (b) of the Appendix-14-I-I are replaced by the following:

“2(a) The supplies from DTA to EOU/EHTP/STP units must be utilized by them for production of goods/services and may include raw material, components, consumables, packing materials, capital goods, spares, material handling equipment etc. on which CST has been actually paid by the EOU/EHTP/STP.”

“2(b) While dealing with the application for reimbursement of CST, the Development Commissioner or the designated officer of the EHTP/STP shall see, inter alia, that the purchases are essential for the production of goods / services by the units.”
2. Clause (a) of undertaking and declaration below Annexure 1 in Appendix 14-I-I is also replaced by the following:

“a) The goods for which the claim has been made are meant for utilization / production of goods/services of the EOU/EHTP/STP unit and will be utilized only in our factory and we shall not divert or dispose off the material procured without obtaining prior permission of the concerned Development Commissioner.”

Sd/-
(R.S. GUJRAL)

DIRECTOR GENERAL OF FOREIGN TRADE
EX-OFFICIO ADDITIONAL SECRETARY TO THE GOVT. OF INDIA

(ISSUED FROM F. No. 01/92/180/44/AM09/PC-VI)

**TO BE PUBLISHED IN THE GAZETTE OF INDIA EXTRAORDINARY
(PART I, SECTION 1)
GOVERNMENT OF INDIA
MINISTRY OF COMMERCE AND INDUSTRY
DIRECTORATE GENERAL OF FOREIGN TRADE**

PUBLIC NOTICE NO. 71 (RE-2008) 2004-09

Dated 2nd September' 2008

In exercise of power conferred under paragraph 2.4 of the Foreign Trade Policy 2004-09, Director General of Foreign Trade hereby makes the following amendments in the Handbook of Procedures (Vol. I):

The following shall be added at the end of Appendix 22 B:

“(***) Alternative Bank Certificate to be furnished by EOU, in case deemed export benefits are claimed on disclaimer basis.

BANK'S CERTIFICATE

This is to certify that the amount mentioned in Col. 7 against invoice mentioned in Col. 1 above/details mentioned in Col. 5 above (please strike out one of the options), has been debited from the account of EOU, for supplier mentioned above.

(Signature of the Bankers)

Full address of the Bankers
Branch and City
Official Stamp

*** This alternative Bank Certificate will need to be furnished alongwith domestic supplier certificate, as above.”

This issues in Public interest.

(R.S. GUJRAL)
DIRECTOR GENERAL OF FOREIGN TRADE
EX-OFFICIO ADDITIONAL SECRETARY TO THE GOVT. OF INDIA

RESERVE BANK OF INDIA

WWW.rbi.org.in

Ref.DBOD.Dir(Exp)No. 3704/04.02.02/2008-09

September 2, 2008

Shri O.P. Kapoor
Deputy D.G.
Export Promotion Council for EOUs & SEZ Units
Ministry of Commerce & Industry
Govt. of India
705, Bhikaji Cama Bhavan
Bhikaji Cama Place
New Delhi – 110 066

Dear Sir,

Open House Session – item No. 2 – Banks Related issues

Please refer to your letter No. EPC/SEZ/Am04/A.K. dated July 2, 2008 on the captioned subject.

In this connection, we advise that our Foreign Exchange Department (FED) has given instructions to the Regional Offices to expeditiously deal with requests received from exporters for settlement of trade transaction with Iran outside the ACU mechanism on a case to case basis. You may, therefore, advise the concerned exporter to approach that regional office of RBI under whose jurisdiction their head office is situated.

Yours faithfully,

Sd/-
(V.A. Sawant)
Deputy General Manager

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