

*This column is compiled by Consultant [EXIM Policy] of EPCH. It contains recent Public Notices, Notifications and Circulars of DGFT, CBEC and Department of Revenue. If a handicraft exporter has question[s] to ask on Foreign Trade Policy, he/she may please write / e-mail to EPCH at policy@epch.com*

Impex # 1

## Wake-up alarm for importers importing under 'others' category of Custom Tariffs Book

DGFT issues Trade Notice to curb unnecessary import under 'others' category by mis-classification.

In spite of the best of efforts by Govt. of India, export promotion organisations and exporters, India's merchandise exports have not increased to the desired extents. For the last five years, the exports have been hovering around \$300 billions. In 2018-19 the exports, imports and trade deficit were \$330 billions, \$ 514 billions and \$184 billions respectively. The huge trade deficits years after years are a matter of great concern to all stakeholders.

According to Union Commerce and Industry Minister, one way to reduce the trade deficit is by curbing unnecessary imports. According to him a lot of unnecessary imports takes place under the 'others' category of the Custom Tariff Book. He is of the opinion that every product being imported would be accurately defined and classified. Whenever, necessary new HSN (Harmonised System of Nomenclature) should be created and the easy practice of classifying them under 'others' category should stop.

To achieve the above objective, DGFT has issued a Trade Notice no. 46/2019-20 dt 17.01.2020. It contains a wake-up call for importers importing under 'others' category.

Copy of Trade Notice dt. 17.01.2020 is reproduced below:

(Copy)

DGFT Trade Notice No. 46/2019-20, dt. 17th January 2020

Subject: **Mis-classification goods under "Others' category at the time of Import- reg.**

Vide Trade Notice No. 37/2019 dated 22.10.2019 members of the Trade and Industry were advised to be careful while filing their Bill of entry at the time of import and were advised to mention specific HS Codes at 8 digit level, where they exist instead of using the 'Others' category. It was also informed that many importers are not doing due diligence in mentioning correct HS codes at 8 digit level at the time of import and are casually using the HS Code for "Others" category, which is a residual code category.

2. However, despite clear advisory in the Trade Notice No. 37/2019. it has been noted that imports under 'Others' category continue to be widely used in the Bills of Entry. Accordingly, it is reiterated that all importers should file their Bills of Entry with specific codes available for the imported items under ITC(HS). 2017. Schedule - I (Import Policy) at 8 digit level, and to avoid as far as possible 'Others' category.

3. The matter will be reviewed shortly. and in the event of non-compliance and continued mis-classification by the importers. Government may consider bringing a licensing regime for all items imported under the 'Others' category by shifting these items from 'free\*' to 'restricted' category. If members of Trade and Industry are of the view that the existing HS codes are not sufficient to cover the goods that they are importing, they should immediately suggest appropriate HS codes at 8 digit level for such goods.

DGFT issues Public Notice containing three condonations till 31.03.2020 for getting the pending EPCG Authorisations redeemed.

While it is quite easy to obtain EPCG Authorisation, it is quite difficult to get them redeemed on account of failure to fulfill all the conditions of the authorisations. The three main conditions of the authorisation are:

1. Fulfillment of E.O. within the given time.
2. Fulfillment of Block-wise E.O.
3. Submission of Chartered Engineer Certificate within the given time.

DGFT is quite aware of the above and has been issuing Public Notices from time to time giving condonations in time.

Now DGFT has issued a Public Notice No. 55/2015-20 dt 03.01.2020 giving one more condonation valid upto 31.03.2020 in all the three aspects detailed above (copy reproduced below).

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DGFT Public Notice No. 55/2015-20, Dated 3rd January 2020

**Subject: One time condonation under the EPCG Scheme - Extension till 31.03.2020. The following Public Notices have been issued by the Directorate General of Foreign Trade:-**

- a. Public Notice No. 35/2015-20 dated 25.10.2017 - Onetime condonation of time period in respect of obtaining block-wise extension in Export Obligation period under EPCG Scheme.
- b. Public Notice No. 36/2015-20 dated 25.10.2017 - Onetime condonation of time period in respect of obtaining extension in Export Obligation Period under EPCG Scheme.
- c. Public Notice No. 37/2015-20 dated 25.10.2017 - Onetime relaxation for condonation of delay in submission of installation certificate under EPCG Scheme.

The validity of the above mentioned Public Notices was extended till 30.9.2018 vide Public Notice No. 1/2015-20 dated 26.04.2018 and further extended till 30.09.2019 vide Public Notice No.78/2015-20 dated 11.03.2019.

2. Public Notice No. 37/2015-20 dated 25.10.2017 was modified vide following Public Notice:-

**Public Notice No. 30/2015-20 dated 14.08.2018** - RAs have been delegated power till 31st March, 2019 of one time relaxation and condonation of delay in submission of installation certificate for EPCG authorizations issued upto 31.03.2015, without payment of any penalty.

3. In exercise of powers conferred under Paragraph 2.04 of FTP (2015-20) read with Paragraph 2.58 of FTP (2015-20), the Director General of Foreign Trade in public interest hereby further extends the time of receipt of requests till 31.03.2020 in respect of the above mentioned Public Notices.

4. The other contents of the above mentioned Public Notices shall remain the same.

Effect of this Public Notice: The time period to receive requests in RAs for block-wise extension; extension in Export Obligation Period and submission of installation certificate is further extended up to 31.03.2020.

**Question: We are an export house and have accounts with multiple banks. We want to capture the correct AD code in the Shipping Bill. How do we register the AD codes of all our banks with Customs?**

**Answer :** Prior to the implementation of EDPMS, Customs authorities could capture only one AD code against the IE code of the exporter. However, to accommodate the changes necessitated by EDPMS, Customs authorities

have now made modifications in their system to map multiple AD codes against single IE Code. That is, a one-to-many mapping for IE code to AD code. As and when the Shipping Bill checklist is being filed, the exporter has to choose from the list of AD codes registered against his IE code, based on which bank he wishes to submit the export documents at. This will ensure that the correct AD code gets captured in the Shipping Bill, without error.

**Question: While we are required to submit export documents to the same bank in which we received advance payment, I am currently finding it difficult to comply, as I have changed my bank. What should I do?**

**Answer :** In such situations, you have to request the old bank (the bank which has received the advance payment) for an e-FIRC to be issued in EDPMS favouring the bank where the documents have been submitted, for the value of the export documents, or the amount of advance payment, whichever is less. On the basis of the e-FIRC issued in its favour, the document receiving bank will record receipt of documents and settlement of the same in the system.

**Question: I have received a notice from RBI even though I have realised and repatriated all my export receivables. Why is this happening?**

**Answer :** In a number of cases in which exporters have realised and repatriated export proceeds, the export bills still remain unsettled in the EDPMS system. This may be either due to your negligence to report the settlement to your banker, or due to issues at the bank's end to report and settle the transaction in the system. What are the criteria for cautionlisting of an exporter and what is its impact on an exporting unit? The deciding criteria for automatic caution-listing is the period for which an export bill has remained open without being regularised, or extension approved, or being written off. The current specified period is 2 years from the date of export. Once an exporter is caution-listed, he will be required to obtain either 100% advance or a Letter of Credit, before he can export against a particular order. This severely affects the business of an exporter, as he would then be required to undergo a complicated process. A caution-listed exporter may also find it difficult to obtain export credit from his bankers, as well as lodge bills for collection for those exports that he has already executed. Besides, bankers are prohibited from issuing any export guarantees on behalf of such caution-listed exporters. In order to avoid caution-listing, an exporter should ensure that the export proceeds are realised and repatriated in time, and are also reported to the bank in time for updating in EDPMS. Further, in case of any delay in receipt of export proceeds, or inability to recover the proceeds (even partially), the exporter should initiate the process for either extension of time, or write off of export proceeds, whichever is applicable.

**Question: We took PCFC from the bank but our order got cancelled subsequently. How can we regularise the credit taken from the bank?**

**Answer :** In case of cancellation of the export order for which the PCFC was availed of by the exporter, or if the exporter is unable to execute the export order for any reason, the exporter should repay the loan together with accrued interest thereon, by purchasing foreign exchange (principal + interest) from domestic market through the bank. In such cases, interest will be payable on the rupee equivalent of the principal amount at the rate applicable to ECNOS at pre-shipment stage plus a penal rate of interest from the date of advance after adjustment of interest of PCFC already recovered.

**Question: Can the period of filing GST returns be changed from monthly to quarterly and vice versa by the taxpayer?**

**Answer :** Yes, the period of filing GST returns can be changed from monthly to quarterly and vice versa by the taxpayer but only while filing the first return of a particular financial year. From when the taxpayers would be.

