

## CHAPTER – 3

### PROMOTIONAL MEASURES

#### PROMOTIONAL MEASURES IN DEPARTMENT OF COMMERCE

*Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE)*

- 3.1 Scheme for Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) is formulated to involve the States in the export effort by providing assistance to the States Governments for creating appropriate infrastructure for the development and growth of exports. The Scheme is administered by Department of Commerce (DoC).

The objective of scheme is to establish a mechanism for involving the State Governments to participate in funding of infrastructure critical for growth of exports by providing export performance linked financial assistance to them.

The activities aimed at development of infrastructure for exports can be funded from the scheme provided such activities have overwhelming export content and their linkage with exports is full established. The specific purposes for which funds allocated under the Scheme can be sanctioned and utilized are as follows:

- Creation of new Export Promotion Industrial Parks/ Zones (SEZs/Agri Business Zones) and augmenting facilities in the existing ones.
- Setting up of electronics and other related infrastructure in export conclave.
- Equity participation in infrastructure projects including the setting up of SEZs.
- Meeting requirements of capital outlay of EPIPs/ EPZs/SEZs.
- Development of complementary infrastructure such as, roads connecting the production centres with the ports, setting up of Inland Container Depots and Container Freight Stations.
- Stabilizing power supply through additional transformers and islanding of export production centre etc.

- Development of minor ports and jetties to serve export purpose.
- Assistance for setting up Common Effluent Treatment facilities and
- Any other activity as may be notified by DoC.

Details of ASIDE Scheme are available at:

<http://www.commerce.nic.in> or <http://www.commerce.gov.in>.

***Market Access Initiative (MAI)*** 3.2

Under MAI scheme, Financial assistance is provided for export promotion activities on focus country, focus product basis. Financial assistance is available for Export Promotion Councils (EPCs), Industry and Trade Associations (ITAs), Agencies of State Government, Indian Commercial Missions (ICMs) abroad and other national level institutions/eligible entities as may be notified.

A whole range of activities can be funded under MAI scheme. These include, amongst others,

- i. Market studies/surveys,
- ii. Setting up of showroom / warehouse,
- iii. Participation in international trade fairs,
- iv. Displays in International departmental stores,
- v. Publicity campaigns,
- vi. Brand promotion,
- vii. Reimbursement of registration charges for pharmaceuticals and expenses for carrying out clinical trials etc., in fulfillment of statutory requirements in the buyer country,
- viii. Testing charges for engineering products abroad,
- ix. Assistance for contesting Anti Dumping litigations etc.

Each of these export promotion activities can receive financial assistance from Government ranging from 25% to 100% of total cost depending upon activity and implementing agency. Full text of guidelines is available at <http://commerce.nic.in>.

***Market Development Assistance (MDA)*** 3.3

Under MDA Scheme, financial assistance is provided for a range of export promotion activities implemented by EPCs and Trade Promotion Organizations on the basis of approved annual action plans. The scheme is administered by DOC. Assistance includes, amongst

others, participation in:

- i. Trade Fairs and Buyer Seller meets abroad or in India, and
- ii. Export promotions seminars.
- iii. Financial assistance with travel grant is available to exporters traveling to focus areas, viz., Latin America, Africa, CIS region, ASEAN countries, Australia and New Zealand. In other areas, financial assistance without travel grant is available.

MDA assistance is available for exports having an annual export turnover as prescribed in MDA guidelines. Full text of guidelines is available at <http://commerce.nic.in>.

***Meeting expenses for statutory compliances in buyer country for Trade Related Matters*** 3.4

DOC provides for reimbursement of charges/expenses for fulfilling statutory requirements in the buyer country, including registration charges for product registration for pharmaceuticals, bio-technology and agro-chemicals products on recommendation of EPCs. Financial assistance is also provided for contesting litigation(s) in the foreign country concerning restrictions/anti dumping duties etc. on particular product(s) of Indian origin, as provided under the Market Access Initiative (MAI) Scheme of DOC.

***Towns of Export Excellence (TEE)*** 3.5

A number of towns have emerged as dynamic industrial clusters contributing handsomely to India's exports. It is necessary to grant recognition to these industrial clusters with a view to maximizing their potential and enabling them to move higher in the value chain and tap new markets.

Selected towns producing goods of Rs. 750 Crore or more will be notified as TEE based on potential for growth in exports. However for TEE in Handloom, Handicraft, Agriculture and Fisheries sector, threshold limit would be Rs 150 Crores.

- (i) Recognized associations of units will be provided financial assistance under MAI scheme, on priority basis, for export promotion projects for marketing, capacity building and technological services.
- (ii) Common Service Providers in these areas shall be entitled for EPCG scheme.
- (iii) The projects received from TEEs shall be accorded

priority by SLEPC for financial assistance under ASIDE.

Notified Towns (TEEs) are listed in Appendix 7 of HBPv1.

***Brand Promotion and Quality*** 3.6 IBEF (originally called India Brand Equity Fund and later renamed as India Brand Equity Foundation) was set up by the Ministry of Commerce on 11<sup>th</sup> July, 1996, with the primary objective to promote and create international awareness of the “Made in India” label in markets overseas. IBEF aims to promote India as a business opportunity by creating positive economic perceptions of India globally as well as effectively present the India business perspective and leverage business partnerships in a globalised market-place.

DOC provides funds for capacity building for up-gradation of quality to national level Institutions and EPCs to organize training programmes for the skill improvement of the exporters for quality up-gradation, reduction in rejection, product improvement etc. as provided under the Market Access Initiative (MAI) Scheme of DOC.

***Test Houses*** 3.7 Central Government will assist in modernization and upgradation of test houses and laboratories to bring them at par with international standards.

#### **PROMOTIONAL MEASURES IN DGFT**

***Quality Complaints / Disputes*** 3.8 Regional Sub-Committee on Quality Complaints (RSCQC) set up at Regional Offices of this Directorate shall investigate quality complaints received from foreign buyers. Guidelines for settlement of quality complaints, in particular, and such other complaints, in general, are given in Appendix-16 of HBPv1.

***Trade Disputes affecting Trade Relations*** 3.9 If it comes to DGFT’s notice or he has reason to believe that an export or import has been made in a manner that

- (i) is gravely prejudicial to trade relations of India with any other country; and / or
- (ii) is gravely prejudicial to interest of other persons engaged in exports or imports; and / or
- (iii) has brought disrepute to the country;

DGFT may take action against such exporter or importer in accordance with FT(D&R) Act, Rules and Orders made there-under and FTP.

### 3.10 EXPORT AND TRADING HOUSES

***Eligibility for Export and Trading Houses Status***

3.10.1 Merchant as well as Manufacturer Exporters, Service Providers, Export Oriented Units (EOUs) and Units located in Special Economic Zones (SEZs), Agri Export Zones (AEZs), Electronic Hardware Technology Parks (EHTPs), Software Technology Parks (STPs) and Bio-Technology Parks (BTPs) shall be eligible for status.

***Status Category***

3.10.2 Applicant shall be categorized depending on his total FOB (FOR - for deemed exports) export performance during current plus previous three years (taken together) upon exceeding limit below. For Export House (EH) Status, export performance is necessary in at least two out of four years (i.e., current plus previous three years).

Status Category	Export Performance FOB / FOR Value (Rupees in Crores)
Export House (EH)	20
Star Export House (SEH)	100
Trading House (TH)	500
Star Trading House (STH)	2500
Premier Trading House (PTH)	7500

***Double Weightage and other Conditions for Grant of Status***

3.10.3 (i) Exporters in Small Scale Industry (SSI) / Tiny Sector / Cottage Sector, Units registered with KVICs / KVIBs, Units located in North Eastern States, Sikkim and Jammu & Kashmir, Units exporting handloom/ handicrafts / hand knotted or silk carpets, exporters exporting to countries in Latin America / CIS / sub-Saharan Africa as listed in Appendix-9, Units having ISO 9000 (series) / ISO 14000 (series) / WHOGMP/ HACCP/ SEI CMM level-II and above status granted by agencies listed in Appendix-6 of HBP v1, exports of services and exports of agro products shall be entitled for double weightage on exports made for grant of status. Double Weightage shall be admissible to Merchant as well as Manufacturer Exporters. However, a shipment can get double weightage only once in any one of above categories.

- (ii) Transfer of export performance from one to another is not permitted. Therefore disclaimer system shall not be allowed for counting of export turnover.
- (iii) Exports made on re-export basis shall not be counted for recognition.
- (iv) Exports made by subsidiary of a limited company shall be counted towards export performance of limited company for recognition only if limited company has a majority share holding in subsidiary company.

***Privileges of Export and Trading House Status Holders*** 3.10.4

A Status Holder shall be eligible for privileges as under:

- (i) Authorization and Customs Clearances for both imports and exports on self-declaration basis;
- (ii) Fixation of Input-Output norms on priority within 60 days;
- (iii) Exemption from compulsory negotiation of documents through banks. Remittance / Receipts, however, would be received through banking channels;
- (iv) 100% retention of foreign exchange in EEFC account;
- (v) Exemption from furnishing of BG in Schemes under FTP;
- (vi) SEHs and above shall be permitted to establish Export Warehouses, as per DoR guidelines.
- (vii) For status holders, a decision on conferring of ACP Status shall be communicated by Customs within 30 days from receipt of application with Customs.
- (viii) As an option, for Premier Trading House (PTH), the average level of exports under EPCG Scheme shall be the arithmetic mean of export performance in last 5 years, instead of 3 years.
- (ix) Status Holders of specified sectors shall be eligible for Status Holder Incentive Scrip under Para 3.16 of FTP.

- (x) Status Holders of Agri. Sector (Chapter 1 to 24) shall be eligible for Agri. Infrastructure Incentive Scrip under VKGUY - Para 3.13.4 of FTP.

### **3.11 SERVICES EXPORTS**

#### ***Services Exports***

- 3.11.1 Services include all 161 tradable services covered under General Agreement on Trade in Services (GATS) where payment for such services is received in free foreign exchange. A list of services is given in Appendix 10 of HBPv1.

All provisions of this Policy shall apply mutatis mutandis to export of services as they apply to goods.

#### ***Registration cum Membership Certificate (RCMC) for Service Providers***

- 3.11.2 Software exporters shall register themselves with Electronics and Software EPC. Exporters of 15 specific services listed in Sl. No. 34 of Appendix 2 of HBPv1 are required to register themselves with Services EPC. Other service exporters shall register themselves with Federation of Indian Export Organisations (FIEO).

#### ***Common Facility Centres***

- 3.11.3 Government shall promote establishment of Common Facility Centres for use by home-based service providers, particularly in areas like Engineering & Architectural Design, Multi-media operations, Software developers etc., in State and District level towns, to draw in a vast multitude of home-based professionals into services export arena.

## **REWARD / INCENTIVE SCHEMES IN DGFT**

### **3.12 SERVED FROM INDIA SCHEME (SFIS)**

#### ***Objective***

- 3.12.1 Objective is to accelerate growth in export of services so as to create a powerful and unique 'Served From India' brand, instantly recognized and respected world over.

#### ***Eligibility***

- 3.12.2 All Indian Service Providers, of services listed in Appendix 10 of HBPv1, who have free foreign exchange earning of at least Rs. 10 Lakhs in preceding financial year / current financial year shall qualify for Duty Credit Scrip.

For Individual Indian Service Providers, minimum free foreign exchange earnings would be Rs 5 Lakhs.

<b><i>Ineligible Services and Service Providers</i></b>	3.12.3	Services and Service Providers as listed in Para 3.6.1 of HBPv1 shall not be entitled for benefits under the SFIS scheme.
<b><i>Entitlement</i></b>	3.12.4	All Service Providers shall be entitled to Duty Credit Scrip equivalent to 10% of free foreign exchange earned during current financial year.
<b><i>Eligible Remittances</i></b>	3.12.5	Free foreign exchange earned through International Credit Cards and other instruments as permitted by RBI for rendering of service shall also be taken into account for computation of Duty Credit Scrip.
<b><i>Imports Allowed</i></b>	3.12.6	Duty Credit scrip may be used for import of any capital goods including spares, office equipment and professional equipment, office furniture and consumables; that are otherwise freely importable and / or restricted under ITC (HS). Imports shall relate to any service sector business of applicant.  Utilization of Duty Credit scrip earned shall not be permitted for payment of duty in case of import of vehicles, even if such vehicles are freely importable under ITC (HS).  In case of hotels, clubs having residential facility of minimum 30 rooms, golf resorts and stand-alone restaurants having catering facilities, Duty Credit scrip may also be used for import of consumables including food items and alcoholic beverages.
<b><i>Non Transferability</i></b>	3.12.7	Entitlement / goods (imported / procured) shall be non transferable (except within group company and managed hotels) and be subject to Actual User condition.
<b><i>Procurement from Domestic Sources</i></b>	3.12.8	Utilization of Duty Credit Scrip shall be permitted for payment of excise duty in terms of DoR notification issued in this behalf for procurement from domestic sources, of items permitted for imports under SFIS Duty Credit Scrip.

**3.13 VISHESH KRISHI AND GRAM UDYOG YOJANA (VKGUY) (SPECIAL AGRICULTURE AND VILLAGE INDUSTRY SCHEME)**

***Objective***

3.13.1 Objective of VKGUY is to promote exports of :

- (i) Agricultural Produce and their value added products;
- (ii) Minor Forest Produce and their value added variants;
- (iii) Gram Udyog Products;
- (iv) Forest Based Products; and
- (v) Other Products, as notified from time to time.

Such products shall be listed in Appendix 37A of HBPv1.

***Entitlement***

3.13.2 Duty Credit Scrip benefits are granted with an aim to compensate high transport costs, and to offset other disadvantages.

Exporters, of products notified in Appendix 37A of HBPv1, shall be entitled for Duty Credit Scrip equivalent to 5% of FOB value of exports (in free foreign exchange) for exports made from 27.8.2009 onwards.

However, for exports made w.e.f 27.8.2009, some Flowers, Fruits, Vegetables and other products, as listed in Table 2 of Appendix 37A shall be entitled to an additional duty credit scrip equivalent to 2% of FOB value of exports; over and above the 5% or 3% VKGUY reduced rate entitlement available as per Para 3.13.3 below.

***Applicability of Reduced Rate***

3.13.3 Duty Credit Scrip benefits under VKGUY scheme shall be granted only at a reduced rate of 3% of FOB value of exports in such cases where exporter has also availed benefits of:

- (i) Drawback at rates higher than 1%; and/or
- (ii) Specific DEPB rate (i.e. other than Miscellaneous Category – Sr. Nos. 22C & 22D of Product Group 90); and/or

- (iii) Advance Authorization or Duty Free Import Authorization Import of inputs (other than catalysts, consumables and packing materials) for the exported product for which Duty Credit Scrip under VKGUY is being claimed.

***Agri. Infrastructure  
Incentive Scrip***

3.13.4

For exports made during a particular year, all Status Holders (having status recognition for the current year) exporting products covered under ITC HS Chapters 1 to 24, shall be incentivized with duty credit scrip equal to 10% of FOB value of agricultural exports (including VKGUY benefits entitled under Policy Para 3.13.2) provided that the total benefits for all status holders put together does not exceed Rs 100 Cr (i.e. Rs 50 Cr for each half year) and the conditions specified in Para 3.7.2 of HBPv1 are satisfied.

Zonal Office, CLA, New Delhi shall be the licensing office for grant of the benefit to all status holders.

The following capital goods / equipments shall be permitted for import:

- (i) Cold storage units (including Controlled Atmosphere (CA) and Modified Atmosphere (MA) Stores); Pre-cooling Units and Mother Storage Units for Onions, etc.;
- (ii) Pack Houses (including facilities for handling, grading, sorting and packaging etc.);
- (iii) Reefer Van / Containers; and
- (iv) Other Capital Goods / Equipments as may be notified in Appendix 37F.

Imported capital goods/equipment shall be utilized for storage, packing etc. (as in (ii) above) and transportation of agricultural products (including agro-processed perishable products).

This additional benefit shall be subject to actual user condition and hence non-transferable.

However, for import of Cold Chain Equipment this Incentive Scrip shall be freely transferable amongst Status

Holder.

### **3.14 FOCUS MARKET SCHEME (FMS)**

<i>Objective</i>	3.14.1	Objective is to offset high freight cost and other externalities to select international markets with a view to enhance India's export competitiveness in these countries.
<i>Entitlement</i>	3.14.2	Exporters of all products to notified countries (as in Appendix 37C of HBPv1) shall be entitled for Duty Credit Scrip equivalent to 3% of FOB value of exports (in free foreign exchange) for exports made from 27.8.2009 onwards.
<i>Ineligible Exports Categories / Sectors for FMS</i>	3.14.3	<p>The following categories of export products / sectors shall be ineligible for Duty Credit Scrip, under FMS scheme:</p> <ul style="list-style-type: none"><li>a) Supplies made to SEZ units;</li><li>b) Service Exports;</li><li>c) Diamonds and other precious, semi precious stones;</li><li>d) Gold, silver, platinum and other precious metals in any form, including plain and studded Jewellery;</li><li>e) Ores and Concentrates, of all types and in all forms;</li><li>f) Cereals, of all types;</li><li>g) Sugar, of all types and in all forms;</li><li>h) Crude / Petroleum Oil &amp; Crude / Petroleum based Products covered under ITC HS codes 2709 to 2715, of all types and in all forms; and</li><li>i) Export of Milk and Milk Products covered under ITC HS Codes 0401 to 0406, 19011001, 19011010, 2105 &amp; 3501.</li></ul>

### **3.15 FOCUS PRODUCT SCHEME (FPS)**

<i>Objective</i>	3.15.1	Objective is to incentivise export of such products which have high export intensity / employment potential, so as to offset infrastructure inefficiencies and other associated costs involved in marketing of these products.
<i>Entitlement</i>	3.15.2	Exports of notified products (as in Appendix 37D of HBPv1) to all countries (including SEZ units) shall be entitled for Duty Credit scrip equivalent to 2% of FOB value of exports (in free foreign exchange) for exports made from 27.8.2009 onwards.

However, Special Focus Product(s) /sector(s), covered under Table 2 and Table 5 of Appendix 37D, shall be granted Duty Credit Scrip equivalent to 5% of FOB value of exports (in free foreign exchange) for exports made from 27.8.2009 onwards.

### 3.15.3 **Market Linked Focus Products Scrip (MLFPS):**

Export of Products/Sectors of high export intensity/employment potential (which are not covered under present FPS List) would be incentivized at 2% of FOB value of exports (in free foreign exchange) under FPS when exported to the Linked Markets (countries), which are not covered in the present FMS list, as notified in Appendix 37D of HBPv1, for exports made from 27.8.2009 onwards.

### 3.16 **Status Holders Incentive Scrip**

- 3.16.1 With an objective to promote investment in upgradation of technology of some specified sectors as listed in Para 3.16.4 below, Status Holders shall be entitled to incentive scrip @1% of FOB value of exports made during 2009-10 and during 2010-11, of these specified sectors, in the form of duty credit. This shall be over and above any duty credit scrip claimed/availed under this chapter.
- 3.16.2 Status Holders availing Technology Upgradation Fund Scheme (TUFS) benefits (under Ministry of Textiles) during a particular year shall not be eligible for Status Holders Incentive Scrip for exports of that year.
- 3.16.3 The Status Holders Incentive Scrip shall be with Actual User Condition and shall be used for imports of capital goods (as defined in FTP) relating to the sectors specified in Para 3.16.4 below.
- 3.16.4 The Status Holders of the following Sectors shall be eligible for this Status Holders Incentive Scrip:
1. Leather Sector (excluding finished leather);
  2. Textiles and Jute Sector;
  3. Handicrafts;
  4. Engineering Sector (excluding Iron & Steel, Non-ferrous Metals in primary or intermediate forms, Automobiles & two wheelers, nuclear reactors &

- parts and Ships, Boats and Floating Structures;
- 5. Plastics; and
- 6. Basic Chemicals (excluding Pharma Products).

**3.17 Common Provisions of Duty Credit Scrips, except where specifically provided for Special Provisions**

3.17.1 Government reserves the right in public interest, to specify export products or services or exports to such countries, which shall not be eligible for computation of entitlement.

Further Government reserves the right to impose / change the rate / ceiling on Duty Credit Scrip under this chapter.

Similarly, Government may also notify goods (in Appendix 37B of HBPv1), which shall not be allowed for import under Duty Credit Scrips.

***Ineligible Exports  
Categories /Sectors***

3.17.2 For VKGUY, FMS, FPS (including MLFPS) and Status Holders Incentive Scrip, the following exports categories /sectors shall be ineligible for Duty Credit Scrip entitlement:

- (i) EOUs / EHTPs / BTPs who are availing direct tax benefits / exemption;
- (ii) Export of imported goods covered under Para 2.35 of FTP;
- (iii) Exports through transshipment, meaning thereby that exports originating in third country but transshipped through India;
- (iv) Deemed Exports;
- (v) Exports made by SEZ units or SEZ products exported through DTA units; and
- (vi) Items, which are restricted or prohibited for export under Schedule-2 of Export Policy in ITC (HS).

<b><i>Counting of Commission in FOB value of Exports (in free foreign exchange)</i></b>	3.17.3	For computation of Duty Credit Scrip Benefits, FOB Value of Exports (in free foreign exchange) shall include up to 12.5% Foreign Agency Commission.
<b><i>Free Transferability</i></b>	3.17.4	Duty Credit Scrip and items imported against it would be freely transferable.  However, Duty Credit Scrip under SFIS (Para 3.12) and under Status Holders Incentive Scrip (Para 3.16) shall not be freely transferable.
<b><i>Imports Allowed</i></b>	3.17.5	Duty Credit Scrip may be used for import of inputs or goods including capital goods, provided same is freely importable and / or restricted under ITC (HS). However, import of items listed in Appendix 37B of HBPv1 shall not be permitted to be debited.  Duty Credit Scrips under Chapter 3 of FTP can also be utilized for payment of duty against imports under EPCG scheme provided the item is importable against the scrip.
<b><i>CENVAT / Drawback</i></b>	3.17.6	Additional customs duty/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, except under SFIS.
<b><i>TRA Facility</i></b>	3.17.7	Utilization of Duty Credit Scrip for imports from a port other than port of registration shall be allowed under Telegraphic Release Advice (TRA) facility as per DoR notification.
<b><i>Exclusivity of Entitlement</i></b>	3.17.8	For a shipment, Duty Credit Scrip benefit under any one of the schemes covered in this Chapter can alone be claimed, at exporter's option.
<b><i>Import under Lease financing</i></b>	3.17.9	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 Para 2.25 of FTP.
<b><i>Transfer of Export Performance</i></b>	3.17.10	Transfer of export performance from one to another shall not be permitted. Thus, a shipment 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 BRC / FIRC.

However, for VKGUY, FMS and FPS (including MLFPS), benefits 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.

***Facility of Payment of  
Customs Duties in case  
of EO defaults***

3.17.11

Duty Credit Scrips can also be used / debited towards payment of Customs Duties in case of EO defaults under Authorizations issued under Chapters 4 and 5 of this Policy. However, penalty / interest shall be required to be paid in cash.