PRACTICE MOCK

NEW FOREIGN TRADE POLICY 2023

Contents

PREFACE

Foreign Trade Policy (FTP) is the prime policy that lays down simple and transparent procedures which are easy to comply with and administer for efficient management of foreign trade in India. The Policy aims at enhancing the country's trade for economic growth and employment generation. The **Customs Tariff Act** and the **Central Excise Tariff Act** are the other two important Acts that lay down how the Customs and Excise duties shall be levied on trade, respectively. Foreign trade in India is **promoted** and **facilitated** by the **Directorate General of Foreign Trade** (DGFT)

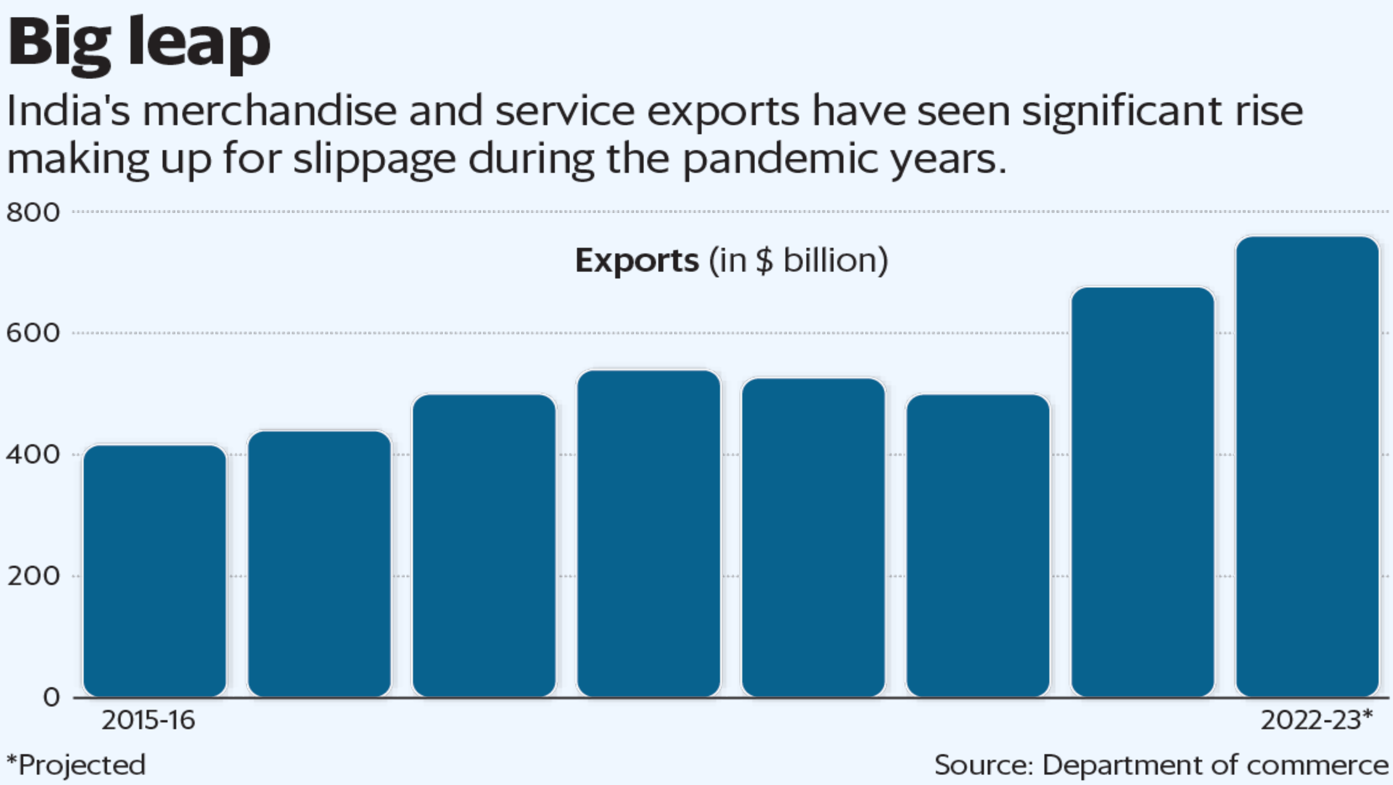
Directorate General of Foreign Trade (DGFT) organisation is an attached office of the **Ministry of Commerce and Industry**, and is headed by **Director General of Foreign Trade**. Right from its inception till 1991, when liberalization in the economic policies of the Government took place, this organization has been essentially involved in the regulation and promotion of foreign trade through regulation. Keeping in line with liberalization and globalization and the overall objective of increasing of exports, DGFT has since been assigned the role of "facilitator". The shift was from prohibition and control of imports/exports to promotion and facilitation of exports/imports, keeping in view the interests of the country.

The government has finally unveiled its new Foreign Trade Policy (FTP) which came into force on **1st April, 2023**. The previous policy, launched in **2015**, had to be extended several times due to the pandemic and geo-political developments.

Under the **Foreign Trade Development and Regulation Act, 1992**, the government is required to formulate, implement and monitor trade policies to boost exports, facilitate imports and maintain a favourable balance of payments.

The first five-year **Export-Import (EXIM) policy of 1992** and the second in 1997-2002 aimed to remove many of the post-independence trade protectionist measures and promote India's integration with the global economy. **In 2004, the EXIM Policy was renamed to Foreign Trade Policy** to adopt a comprehensive approach to India's foreign trade. Later, FTPs were issued for 2009-14 and 2015-20.

- As you can see, each of the previous foreign trade policies was operational for five years. In a departure from tradition, India's Foreign Trade Policy (FTP) 2023 **will not have a five-year target date**.



FTP 2015-20 aimed to boost India's exports from **$465 billion** in 2013-14 to **$900 billion by 2019-20**. It introduced new **merchandise export from India scheme** to provide rewards to exporters to offset infrastructural inefficiencies and associated costs and a services export from India scheme to encourage the exports of notified services. At the conclusion of the policy's initial term in 2019-20, exports of goods and services reached $526.55 billion. Export momentum was derailed in 2020-21 by the pandemic and geopolitical tensions. **Exports for 2022-23 are projected at $760 billion**.

The government has broken away from the conventional practice of setting a five-year cycle. The new policy is intended to be **responsive to changing circumstances** and will be modified as and when required. Additionally, the government will consistently gather input from relevant stakeholders to enhance and revise the policy.

The new policy has **four pillars**. These are;

- replacing the **incentive-based system** of promoting exports with **remission and entitlement-based regimes**;
- facilitating enhanced collaboration among exporters, states, districts and Indian missions;
- reducing transaction costs and introducing e-initiatives for ease in business operations; and
- developing additional export hubs and SCOMET policy.

It intends to simplify the export process for items falling under the Special Chemicals, Organisms, Materials, Equipment, and Technologies (**SCOMET**).

The government aims to increase India's overall exports to **$2 trillion by 2030**, with equal contributions from the merchandise and services sectors. The government also intends to encourage the use of the Indian currency in cross-border trade, aided by a new **payment settlement framework** introduced by the RBI in July 2022. This could be particularly advantageous in the case of countries with which India enjoys a trade surplus.

Overall, the FTP 2023 is a dynamic policy document that aims to boost India's exports and promote its growth manifold in the coming years. With its emphasis on ease of doing business, technology interface, and collaboration, the policy is expected to facilitate the growth of the export industry, while also creating a favourable environment for MSMEs and other businesses to access export benefits. The FTP 2023 is a roadmap for India's exports to reach new heights and emerge as a global leader in the export industry.

Let's now dive deeper into the Policy!

LEGAL FRAMEWORK & TRADE FACILITATION

Legal Framework

Legal Basis: The Foreign Trade Policy (FTP) 2023 is notified by Central Government (to be precise, **Ministry of Commerce and Industries**) based on the provisions of **Section 5** of the **Foreign Trade (Development & Regulation) Act, 1992**.

Duration of this new FTP: **No deadline**. Previous FTPs were usually valid for a period of five years.

Trade Facilitation & Ease of Doing Business

Trade facilitation: It is a key enabler of a country's economic development and national competitiveness. In the Indian context, trade facilitation has been a longstanding priority of the Government of India which has sought to proactively improve its business regulatory climate as part of the '**Make in India**' initiative. India ratified the **World Trade Organization**'s **Trade Facilitation Agreement** (TFA) in April 2016, which subsequently came into force on 22nd February 2017.

To facilitate coordination and implementation of the TFA provisions, an inter-ministerial body i.e. **National Committee on Trade Facilitation** (NCTF) has been constituted.

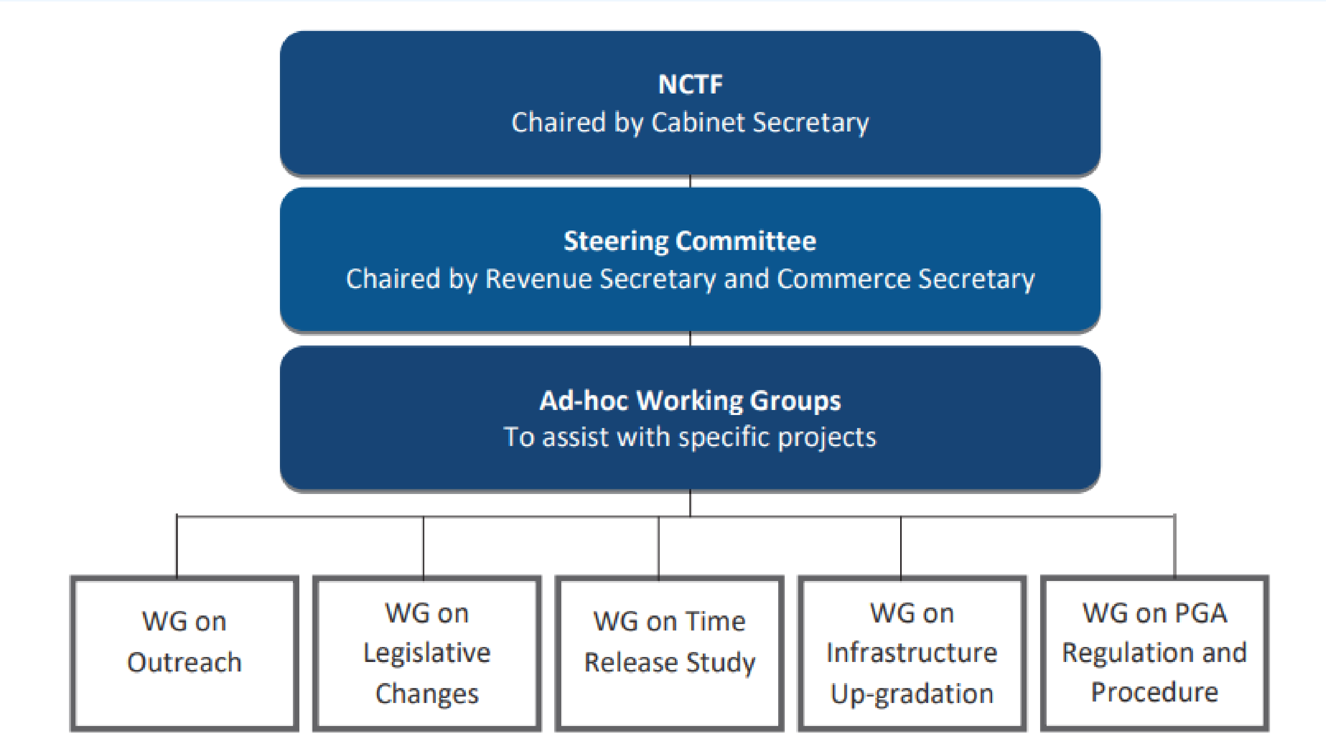


Fig. Institutional Mechanism for NCTF

Formulation of the **National Trade Facilitation Action Plan 2017-2020** was an early measure by the Government of India to be an active facilitator of trade. The NTFAP was envisioned to be a live document which contained 96 specific measures assigned to stakeholders with indicative timelines for implementation. It contained **two distinct set of measures**.

- The first set of measures were required to ensure compliance with India's Category B commitments and also sought to improve certain elements of Category A commitments.
- The second set of measures (identified as TFA Plus) related to infrastructure and technology adoption, prime enablers of India's overarching trade facilitation strategy.

TFA emanates from the following **four pillars**:

i. **Transparency**: focus on improved access to accurate and complete information.

ii. **Technology**: development and use of digital and detection technologies to ease out trade bottlenecks and improve efficiency.

iii. **Simplification of Procedures and Risk based Assessments**: simplified, uniform and harmonised procedures with increased adoption of a risk based management approach.

iv. **Infrastructure Augmentation**: enhancement of infrastructure, particularly the road and rail infrastructure leading to ports and the infrastructure within ports, airports, ICDs, Land Customs Stations is a major enabler for growth in trade that cuts across all stakeholders.

DGFT as a Facilitator: DGFT has a commitment to function as a **facilitator of exports and imports**. Focus is on good governance, which depends on efficient, transparent and accountable delivery systems. In order to facilitate international trade, DGFT consults various Export Promotion Councils as well as Trade and Industry bodies from time to time.

Export of Perishable Agricultural Products: To reduce transaction and handling costs, a single window system to facilitate export of perishable agricultural produce is being facilitated through Agricultural and Processed Food Products Export Development Authority.

Niryat Bandhu: **DGFT** is implementing the Niryat Bandhu Scheme for mentoring new and potential exporter on the intricacies of foreign trade through counselling, training and outreach programmes including the 'Districts as Export Hubs' initiative with 'industry partners', 'knowledge partners' and other stakeholders to create vibrant District-Product-Market relevant knowledge ecosystem.

Niryat Bandhu Scheme was announced by the Ministry of Commerce and Industries on **13th October 2011** to mentor first-generation entrepreneurs and growing exporters on the intricacies of foreign trade using counselling, training and outreach programmes. Given the rise in small and medium-scale enterprises and their role in employing people, MSME clusters have been identified to improve the scope of exports. The program is implemented by the **Director-General of Foreign Trade** in collaboration with the **Indian Institute of Foreign Trade** (IIFT).

Electronic-Importer Exporter Code (e – IEC): Import Export Code (also known as IEC code) is **a 10-digit identification number** that is issued by the DGFT. Companies and businesses must obtain this code to start a business that deals with imports and export in the Indian territory. It is not possible to deal with export or import business without this IEC code.

With an IEC, companies can get several benefits from the DGFT, Export Promotion Council, Customs, etc, while importing and exporting. The IEC does not require the filing of any returns. Once allotted, there isn't any requirement to follow any sort of process for sustaining its validity. Even for export transactions, there isn't any requirement for filing any returns with DGFT.

Online facility for e-Certificate of Origin (e-CoO): DGFT has created a common digital platform for the issue of Preferential and Non-Preferential Certificates of Origin (e-CoO) by designated agencies in digital format.

A **Certificate of Origin** (CoO) is a document used in international trade for determining the origin of a product. This is important because it is a key basis for applying tariffs and other important criteria for export shipment. A Certificate of Origin is mandatory to validate goods for Export to most countries.

Electronic Record of Export Proceeds:

(a) e-BRC (**Electronic Bank Realisation Certificate**) has enabled DGFT to capture details of realisation of export proceeds directly from the Banks through secured electronic mode. This has facilitated the implementation of various export promotion schemes without any physical interface with the stake holders.

(b) **RBI** also developed a comprehensive IT-based system called **Export Data Processing and Monitoring System** (EDPMS) in 2014 for monitoring of export of goods and software and facilitating banks to report various returns through a single platform. RBI EDPMS data available in DGFT IT System can also be used by exporters on DGFT portal.

The Reserve Bank of India will gather some crucial data regarding export bills with this system. It will help discover the number of dollar remittances destined for India but floating abroad. This data will also determine the dimensions of hedging against Indian currency that can assist RBI to control Forex market operations.

Authorised Economic Operator (AEO) Programme: As defined by the **World Customs Organisation**, "the Authorized Economic Operator (AEO) is a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national customs administration as complying with WCO or equivalent supply chain security standards."

In 2005, the World Customs Organization (WCO) created the Framework of **Standards to Secure and Facilitate Global Trade** (also known as **SAFE Framework**), which includes the Authorised Economic Operator Program (AEO).

Indian AEO Programme:

- The AEO Programme was introduced **as a pilot project in 2011.**
- The security standards detailed in WCO SAFE Framework are the basis of the Indian AEO programme.
- There is **a three-tier AEO Status** for Exporters and Importers. The three tiers are AEO T1, AEO T2, AEO T3, where AEO T3 is the highest level of accreditation.

Towns of Export Excellence (TEE): Towns of Export Excellence, started during FTP 2015-20, is a status provided to those towns which produce and export goods worth a minimum value in a specific sector. Sectors include handicraft, handloom, seafood, pharmaceutical, fisheries, apparel, coir, leather products etc. Once a town is recognized as a TEE, it helps in maximizing its potential and enables them to move higher in the value chain.

According to the Ministry of Commerce and Industry, towns producing goods worth **Rs 750 crore** or more can be recognised as Towns of Export Excellence. For certain sectors like handloom, handicraft, agriculture, and fisheries the threshold limit is set at **Rs 150 crore**.

As of March 2023, 39 towns had already been recognised by the central government as Towns of Export Excellence as per the previous Foreign Trade Policy (2015-20). The new FTP 2023 identifies four new Towns of Export Excellence (TEE) -- **Faridabad, Moradabad, Mirzapur and Varanasi**.

Status Holder Categories: The Government of India launched the Star Export House Certificate / Status Holder Certificate as an export promotion scheme under foreign trade policy. The Certificate/Status is granted to business leaders who have excelled in international trade and have successfully contributed to the country's foreign trade. Export house status is provided to all goods, services, and technology exporters with an import-export code (IE Code). Export house status recognition is based on the export performance of the company in each financial year.

Sl. No	Status Category	Export Performance FOB / FOR (as converted) Value (in US $ million)
1	**One Star Export House**	3
2	**Two-Star Export House**	15
3	**Three-Star Export House**	50
4	**Four Star Export House**	200
5	**Five Star Export House**	800

To improve the trade ecosystem by enhancing the available skilling opportunities, Status Holders are being made “partners” in providing mentoring and training in international trade. Status Holders will endeavour to provide skill upgradation/ training in international trade as detailed below:

Status	Number of Trainees per year
Two Star Export House	5
Three Star Export House	10
Four Star Export House	20
Five Star Export House	50

A model training program of a minimum duration of 6 weeks would be put up in public domain for guidance.

GENERAL PROVISIONS REGARDING IMPORTS & EXPORTS

Policy Regarding Import /Exports of goods: Each year, several countries import billions of products into India by air, sea, and road. The Directorate General of Foreign Trade controls all imports and export into India, and Importer Exporter Code (IEC) from the DGFT is required for all importers or exporters. DGFT has published a list of prohibited items for import in India. Articles on this list cannot be imported into India under any circumstance.

Exports and Imports shall be 'Free' except when regulated by way of '**Prohibition**', '**Restriction**' or '**Exclusive**' trading through **State Trading Enterprises** (STEs)' as laid down in Indian Trade Classification (Harmonized System) [ITC (HS)] of Exports and Imports.

All types of goods banned under the **Foreign Trade (Development and Regulation) Act, 1992**, are banned for import into India, even as gifts or commercial samples. Example of such goods is wild animals, wild birds or parts of wild animals and birds, narcotic drugs like opium, marijuana, and ivory, and arms like revolvers or pistols, or other handguns and ammunition.

Actual User Condition: An actual User is a person (either natural or legal) who is authorised to use imported goods in his/its own premise which has a definitive postal address. Goods which are importable freely without any 'Restriction' may be imported by any person. However, if such imports require an Authorisation, Actual User alone may import such good(s) unless the Actual User condition is specifically dispensed with by DGFT.

State Trading Enterprises (STEs): State trading enterprises are defined as governmental and non-governmental enterprises, including marketing boards, which deal with goods for export and/or import. Article XVII of the **GATT 1994** is the principal provision dealing with state trading enterprises and their operations.

The acronym "GATT" stands for the "**General Agreement on Tariffs and Trade**". It is an agreement between States aiming at eliminating discrimination and reducing tariffs and other trade barriers with respect to trade in goods.

DGFT may, however, grant an authorisation to any other entity to import or export any of the goods notified for exclusive trading through STEs.

Transit Facility: As per the new policy, the transit of goods through India from/ or to countries adjacent to India shall be enabled and regulated in accordance with the **strategic and economic interests** of India as well as the bilateral treaties between India and those countries.

- The Foreign Trade Policy 2015-20 stated that the Transit of goods through India from/or to countries adjacent to India should be **regulated by bilateral treaties between India and those countries**.
- Also, they were subject to such restrictions as may be specified by **DGFT [Directorate General of Foreign Trade]** by international conventions.

Significance:

- **Empowering Neighbourhood First Policy**: The changed language and subtle shift in the stance on trade with neighbouring countries in the new policy **could unnerve some land-locked countries around India such as Nepal and Bhutan** that rely on goods' transit through India.
- **In line with India's commitment to WTO**: Freedom of transit to landlocked countries is guaranteed under **Article V** of the **WTO's General Agreement on Tariffs and Trade**.

The changed language in provisions pertaining to transit facilities, as well as a subtle shift in the stance on trade with neighbouring countries in the new policy could unnerve some land-locked countries around India such as Nepal and Bhutan that rely on goods' transit through India.

Import of Samples and Gifts: No Authorisation shall be required for Import of bonafide technical and trade samples of items "restricted" except defence/security items, seeds, bees and new drugs.

Import of goods, including those purchased from e-commerce portals, through post or courier, where Customs clearance is sought as gifts, is prohibited except for life saving drugs/ medicines and Rakhi (but not gifts related to Rakhi). Rakhi (but not gifts related to Rakhi) will be covered under Section 25(6) of the **Customs Act, 1962** that reads that "no duty shall be collected if the amount of duty leviable is **equal to or less than Rs. 100/**-"

Import Under Lease Financing: "Capital Goods" means any plant, machinery, equipment or accessories required for manufacture or production, either directly or indirectly, of goods or for rendering services, including those required for replacement, modernisation, technological up-gradation or expansion. It includes packaging machinery and equipment, refrigeration equipment, power generating sets, machine tools, equipment and instruments for testing, research and development, and quality and pollution control.

Capital goods may be for use in manufacturing, mining, agriculture, aquaculture, animal husbandry, floriculture, horticulture, pisciculture, poultry, sericulture and viticulture as well as for use in the services sector.

Lease financing is a popular medium and long-term financing option in which the owner of an asset grant another person the right to use the asset in exchange for a periodic payment. The asset's owner is known as the lessor, and the user is known as the lessee. A contract is to be made between the lessor and the lessee regarding the terms and conditions of the lease. After the lease period is over, the asset goes back to the lessor (the owner). There can also be a provision in the contract regarding the compulsory buying of the asset by the lessee (the user) after the lease period is over.

Under the new policy, **no specific permission from DGFT is required** for the import of lease financed Capital Goods.

Export of Gifts: Goods including edible items, of value not exceeding Rs.5,00,000/- in a licensing year, may be exported as a gift. However, items mentioned as restricted for exports shall not be exported as a gift, without Authorisation.

Export Credit Agencies: An export credit agency (ECA) is a specialist, typically government-backed financial institution that offers to finance for domestic companies' export operations. They are also known as investment insurance agencies, or simply ECAs for short.

Export credit agencies structure their financing through the provision of specific loans and insurance that cater to non-conventional risks, such as political risk or overseas commercial liabilities.

Export credit agencies principally utilize three methods to provide funds to an importing entity.

- **Direct lending**, which is the simplest structure whereby the loan is conditioned upon the purchase of goods or services from businesses in the organizing country.
- **Financial Intermediary Loans**, where the export-import bank lends funds to a financial intermediary, such as a commercial bank, that in turn loans the funds to the importing entity.
- **Interest rate equalization**, whereby, a commercial lender provides a loan to the importing entity at below-market interest rates, and in turn receives compensation from the export-import bank for the difference between the below-market-rate and the commercial rate.

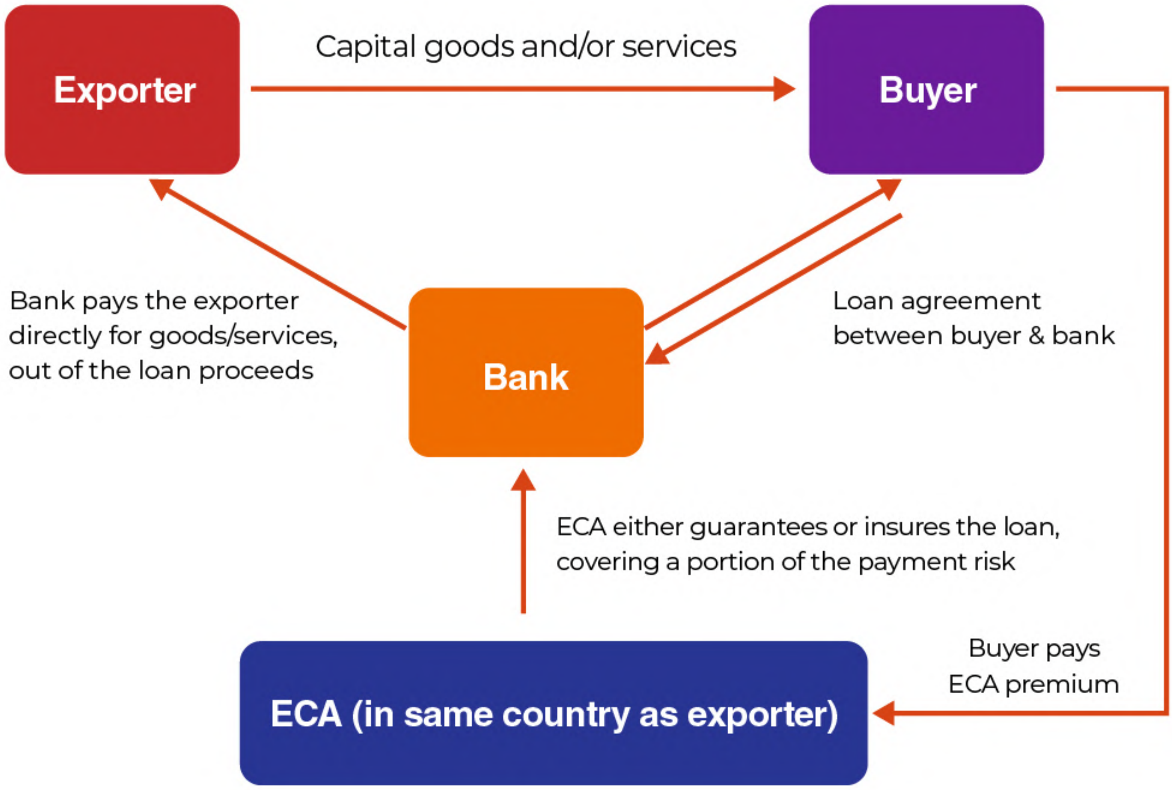


Fig. How Export Finance Works

Export Credit Agencies (ECAs) like **Export Credit Guarantee Corporation of India Ltd.** (ECGC) provides credit insurance support to exports and export credit lending. Covers issued by ECGC to exporters, protect against losses arising out of payment failures due to insolvency or default of the buyers or due to political risks. Exporters can diversify their markets in addition to protecting existing markets through such covers. ECGC also supports medium and long term (MLT) exports including project exports. **Exim Bank** is the other ECA in the business of lending for MLT exports and fronting the government's line of credit.

Export Promotion Councils: Export Promotion Councils are government-initiated authorities that promote and support export firms in developing their overseas trade and presence by providing technical and industry insights. Additionally, EPCs also promote government schemes, act as a data store and conduct overseas tours and studies. They also act as an intermediary between the government and the export industry and are critical in formulating the foreign policies of the country. Some of the examples of EPCs are APEDA, MPEDA etc.

Each Council is responsible for the promotion of a particular group of products/ projects/services. EPCs are also eligible to function as Registering Authorities to issue Registration-cum-Membership Certificates (RCMC) to its members.

A **Policy Interpretation Committee** (PIC) may be constituted to aid and advise DGFT. The composition of the PIC would be as follows:

(i) DGFT: Chairman

(ii) All Additional DGFTs in Headquarters: Members

(iii) All Joint DGFTs in Headquarters looking after Policy matters: Members

(iv) Joint DGFT (PRC/PIC): Member Secretary

(v) Any other person/representative of the concerned Ministry / Department, to be co-opted by the Chairman.

Self-Certification of Originating Goods: A Certificate of Origin (CO) confirms the '**nationality**' of a product and serves as a declaration to satisfy customs or trade requirements. COs are mostly required for customs clearance procedures to determine the duties or legitimacy of imports.

Currently, Certificates of Origin under various Preferential Trade Agreements [PTA], Free Trade Agreements [FTAs], Comprehensive Economic Cooperation Agreements [CECA] and Comprehensive Economic Partnerships Agreements [CEPA] are issued by designated agencies. **A new optional system of self-certification** is being introduced with a view to reducing transaction costs.

The Manufacturers who are also Status Holders shall be eligible for **Approved Exporter Scheme**. Approved Exporters will be entitled to self-certify their manufactured goods as originating from India with a view to qualifying for preferential treatment under different PTAs/FTAs/CECAs/CEPAs which are in operation. Self-certification will be permitted only for the goods that are manufactured as per the Industrial Entrepreneurs Memorandum (IEM) / Industrial License (IL) /Letter of Intent (LOI) issued to manufacturers.

- **Approved Exporter Status** is an authorisation issued by the Customs Agency that allows any economic operator to give proof of the preferential origin of the goods exported directly using the invoice declaration and without any limitation in the amount.

DEVELOPING DISTRICTS AS EXPORT HUBS

The **foreign trade today constitutes approximately 45% of India's GDP**. Special focus and dedicated attention need to be paid to India's export promotion in its economic policies to leverage trade for higher sustained growth. Given the diverse elements that contribute towards an enabling and conducive foreign trade environment, any policy/strategy to boost exports requires active support of the State Governments. Thus, States need to be engaged actively in the export promotion activities and exports cannot exponentially increase without their active involvement.

The call of the Hon'ble Prime Minister of India to convert each district into an export hub from the ramparts of Red Fort in his Independence Day Speech in 2019 redirected focus towards making Districts as active stakeholders in promotion of exports of goods/services produced/manufactured in the District.

Districts as Export Hubs is the first such initiative of Government of India for export promotion, manufacturing and employment generation at the **grass root level** and has made States and Districts accountable for the export growth from the districts in the country. The export promotion was never a focus area in the rural areas or far-fledged areas of the country.

Every district has products and services which are being exported and can be further promoted, along with new products/services, to increase production, grow exports, generate economic activity and achieve the goal of AtmaNirbhar Bharat, Vocal for local and Make in India.

Each District shall constitute a **District Export Promotion Committee** (DEPC) **chaired by the Collector/DM/DC of the District** and **co-chaired** by the designated **DGFT Regional Authority** with various other stakeholders as its members. The primary function of the DEPC will be to prepare and implement district-specific Export Action Plans in collaboration with all the relevant stakeholders at the Central, State and District level.

To synergise the efforts of the Department of Commerce/ DGFT and the State/UT governments in promotion of exports from the State, each State shall constitute a **State Export Promotion Committee** (SEPC) headed by the **Chief Secretary of the State**. The designated Regional Authority of DGFT shall be the co-convener of the committee.

Once the plan is formally adopted by the DEPC of each District, the plan may be implemented by the DEPC by identifying the projects/activities required to be done to promote export growth from the districts. Convergence of various schemes would be done on priority to build synergy and access the central government and State government scheme funds available for infrastructure development and skill/capacity building activities. **Department of Commerce**'s schemes such as the **Market Access Initiative**, **Niryat Bandhu scheme** etc. may also give priority to district-specific needs identified under the District Export Action Plan.

DUTY EXEMPTION & REMISSION SCHEMES

Launched by the **Ministry of Commerce and Industry**, the Duty Exemption scheme allows **duty-free import** of inputs that are required for the production of export. Under the Duty Remission Scheme, post-export replenishment of duty is provided on inputs that are used in the export products.

The different schemes that come under the Duty Exemption and Remission Scheme are mentioned below:

Duty Exemption Scheme:

- Duty Free Import Authorisation (DFIA) Scheme
- Advance Authorisation Scheme

Duty Remission Scheme:

- Duty Drawback (DBK) Scheme
- Scheme for Remission of Duties and Taxes on Exported Products (RoDTEP)
- Scheme for Rebate on State and Central Taxes and Levies (RoSCTL)

The main highlights and benefits of the Duty Exemption and Remission Scheme are mentioned below:

- Issuance of an Advanced License that allows duty-free import of inputs that are physically present in the exported product.
- Under the scheme, benefits will be provided for catalysts, energy, oil, fuel, etc., that are required to obtain the product.

Advance License is provided for the below-mentioned exports and supplies:

- **Deemed exports:** The license is issued to the main contractor that imports products that are used for the manufacture of goods. However, the goods must be supplied to categories that are mentioned in the Policy.
- **Intermediate supplies:** The license is given to a manufacturer-exporter for the import of products to manufacture goods. However, the manufactured goods must be provided to a deemed exporter who has an Advanced License.
- **Physical exports:** The license is provided for the physical export of goods to a merchant exporter. However, the exporter must help manufacturers import inputs that are required to export products.

Advanced Authorisation: Advance Authorisation Scheme (AAS) or Advance License Scheme is a duty exemption scheme issued by the Government of India (GOI) under the **Foreign Trade Policy 2015-2020**. It is issued to allow duty-free import of input, which is physically incorporated in export products (making normal allowance for wastage). In addition, fuel, oil, and catalyst which is consumed/utilised in the process of production of export product, may also be allowed. The **minimum value addition** is kept at **15%** for the scheme. In some of the products, it may go up to 50%, like tea.

Value addition or **Value-added** is the difference between the price of a product or service and the cost of producing it. The price is determined by what customers are willing to pay based on their perceived value. Value is added or created in different ways.

The Scheme is **administered by the DGFT** (Ministry of Commerce) while exemption from levy of Customs duty on imported inputs is allowed by the Central Board of Indirect Taxes and Customs (CBIC), Department of Revenue (DoR) under Ministry of Finance (MoF).

Duty Free Import Authorisation Scheme (DFIA): Duty-Free Import Authorisation (DFIA) is a scheme under which duty-free import of inputs, fuel, oil, energy sources, and catalyst which is required for the production of export goods is allowed. This scheme was first introduced in 2006 and later continued till FTP – 2015-20 and now the same is applicable to FTP – 2023 as well. **Minimum value addition** of **20%** shall be required to be achieved.

Scheme for Remission of Duties and Taxes on Exported Products (RoDTEP): RoDTEP is based on the globally accepted principle that taxes and duties should not be exported, and taxes and levies borne on the exported products should be either exempted or remitted to exporters. The RoDTEP scheme rebates/refunds the embedded Central, State and local duties/taxes to the exporters that were so far not being rebated/refunded. The scheme is being implemented from **1st January 2021** and the rebate is issued as a transferable electronic scrip by the Central Board of Indirect Taxes & Customs (CBIC) in an end-to-end IT environment.

The RoDTEP scheme was launched to increase exports and revenue for the Government of India. This is signified by its approval by the government and registration at the Ministry of Commerce, India. The scheme has been introduced to replace the **Merchandise Exports from India Scheme** (MEIS) and VAT Remission Scheme, which exporters use on a small scale. The new system will allow exporters to claim their export-related tax benefits more efficiently and on a much larger scale, thus promoting trade conveniently.

The rebate allowed is subject to the receipt of sale proceeds within the time allowed under the **Foreign Exchange Management Act, 1999** failing which such rebate shall be deemed never to have been allowed.

The main difference between the RoDTEP and MEIS is that RoDTEP is **a consolidated scheme** while MEIS had **multiple sub-categories**. The consolidated plan allows exporters to take advantage of all its benefits in one shot while the other one categorises them separately.

Residual issues related to the Scheme arising subsequently shall be considered by an Inter-Ministerial Committee, named as "**RODTEP Policy Committee** (RPC)" **chaired by DGFT** (comprising members of Department of Commerce and Department of Revenue), whose decisions would be binding.

EXPORT PROMOTION CAPITAL GOODS (EPCG) SCHEME

The Export Promotion Capital Goods Scheme was a part of the Foreign Trade Policy (FTP) 2015-2020 and the same has been continued for FTP 2023 as well.

EPCG Scheme was **launched in the 2015 to facilitate import of capital goods** with the aim to enhance the production quality of goods and services, thereby, increasing India's international manufacturing competitiveness.

- **Capital goods as defined in the Foreign Trade Policy** - Any plant, equipment or accessories, or machinery required to produce or manufacture (either directly or indirectly) goods or for rendering services. It includes refrigeration equipment, packaging machinery and equipment, machine tools, power generating sets, instruments and equipment for research and development, testing, quality and pollution control. Capital goods can be used in mining, manufacturing, animal husbandry, agriculture, aquaculture, floriculture, pisciculture, horticulture, sericulture, poultry, etc.

Under the scheme, **manufacturers can import capital goods for pre-production, production and post-production goods without attracting any customs duty** on them.

The scheme also covers merchant exporters associated with supporting manufacturers, manufacturer exports with/without supporting vendors/manufacturers, and designated service providers or certified Common Service Provider (CSP).

Facts about EPCG Scheme:

- It is a **trade promotion scheme** implemented by the Indian government.
- It **allows the duty-free import of capital goods for the purpose of export production** in India.
- It was first operationalized on **1 April 2015.**
- **Aim**: To **encourage the production of goods for export** by providing import duty concessions on capital goods.
- The EPCG scheme is **administered by the Directorate General of Foreign Trade** (DGFT) and is **governed by the Foreign Trade Policy of India**.
- **Features**:
    - o EPCG Scheme **allows the import of capital goods** for pre-production, production and post-production **at zero customs duty.**
    - o It **covers manufacturer exporters** with or without supporting manufacturer(s), **merchant exporters tied to supporting manufacturer**(s) and **service providers.**
    - o **Second-hand goods** of any nature **will not be permitted** under the EPCG scheme.

The recently announced Foreign Trade Policy (FTP) has added the **Prime Minister Mega Integrated Textile Region and Apparel Parks** (PM MITRA) scheme as an additional scheme eligible for benefits under the Common Service Provider Scheme of the Export Promotion Capital Goods Scheme (EPCG). As per the new policy, Capital goods shall be installed within a **Town of Export Excellence** or **PM MITRA**.

EXPORT ORIENTED UNITS, ELECTRONICS HARDWARE TECHNOLOGY PARKS, SOFTWARE TECHNOLOGY PARKS, AND BIO-TECHNOLOGY PARKS

Units undertaking to export their entire production of goods and services (except permissible sales in domestic territory), may be set up under the **Export Oriented Unit** (EOU) Scheme, **Electronics Hardware Technology Park** (EHTP) Scheme, **Software Technology Park** (STP) Scheme or **Bio-Technology Park** (BTP) Scheme for manufacture of goods, including repair, re-making, reconditioning, re- engineering, rendering of services, development of software, agriculture including agro-processing, aquaculture, animal husbandry, biotechnology, floriculture, horticulture, pisciculture, viticulture, poultry and sericulture. **Trading units are not covered** under these schemes.

Benefits	EHTP/STP/EOU Unit	SEZ Unit
Foreign Equity permissible	100% FDI investment permitted through automatic route	100% FDI investment permitted through automatic route
Duty free imports/ domestic procurement permissible	Capital goods, Raw materials, Components and other inputs	All goods for development, operation and maintenance
Income Tax Benefit	Export profits 100% tax-exempt under Sections 10A/10B of the Income Tax Act (up to 31st March 2011)	100% Income Tax exemption on export profits under Section 10AA of the Income Tax Act for 5 years, 50% for next 5 years thereafter and 50% of ploughed back export profit for next 5 years
Export Obligation	Unit shall be a positive Net Foreign Exchange (NFE) Earner. Supplies of ITA-1 items manufactured by these units in the Domestic Tariff Area (DTA) shall be counted towards fulfillment of export obligation	Unit shall be a positive Net Foreign Exchange (NFE) Earner. Supplies of ITA-1 items manufactured by these units in the Domestic Tariff Area (DTA) shall be counted towards fulfillment of export obligation
DTA Sales	DTA sales permissible up to 50% of FOB value of exports, subject to fulfillment of positive NFE, on payment of concessional duties (50% of basic customs duty and full excise duty). DTA sales beyond this entitlement are permissible against payment of full duties provided the unit has achieved positive NFE.	DTA sales permissible on payment of full duties. However, the unit is required to be a positive Net Foreign Exchange (NFE) Earner over the five year period of its operation.
Central Sales Tax	Refundable	Exempted

Benefits	EHTP/STP/EOU Unit	SEZ Unit
Supplies from DTA	Deemed Export	Physical Export

Export-Oriented Units (EOUs): Export Oriented Units (EOUs) have been defined under the Foreign Trade Policy (FTP) as those units undertaking to export their entire production of goods and services [except permissible sales in Domestic Tariff Area (DTA) for the manufacture of goods, including repair, re-making, reconditioning, re-engineering, rendering of services, development of software, agriculture including agro-processing, aquaculture, animal husbandry, biotechnology, floriculture, horticulture, pisciculture, viticulture, poultry and sericulture. Trading units are not covered under the EOU.

The **objectives of the EOU Scheme are to promote exports, enhance foreign exchange earnings, attract investment for export production and** employment generation.

How is an EOU different from Special Economic Zones (SEZ)?

- Although both EOUs and SEZs, were initiated to boost exports, there are differences between the two. An EOU can be set up anywhere in the country, provided it meets the scheme's criteria. On the other hand, an SEZ is a specially demarcated enclave that is deemed to be outside the Customs jurisdiction and therefore, a foreign territory. Thus, any sale made from an SEZ to DTA is considered as import for the DTA unit. Moreover, any supply from DTA to an SEZ is considered as export. On the other hand supplies from DTA to an EOU are considered as deemed exports.
- Being a clearly demarcated area, there is substantial control over the physical movement of goods to and from SEZs, but the same cannot be said about EOUs. In terms of fiscal treatment, SEZs are zero rates and are, hence, exempt from payment of GST while in the case of EOUs, the principle of refund of GST paid is applicable.
- The minimum investment in plant and machinery and building is Rs 1 crore for EOUs. This should be before the commencement of commercial production, there is no such limit for SEZ.

Electronics Hardware Technology Park (EHTP) Scheme: The **Ministry of Electronics and Information Technology**, Government of India, has launched the Electronic Hardware Technology Park Scheme to encourage entrepreneurs in establishing manufacturing units of electronic hardware equipment. The scheme focuses on promoting entrepreneurs in setting up Hardware Technology Parks anywhere in India to export their produced electronics goods. Several benefits and assistance are provided under the export-oriented scheme to enhance the production and export of electronic goods and services.

EHTP units can get 100% Foreign Equity benefits under the scheme. The units can import all the goods required for manufacturing from bonded warehouses in the Domestic Tariff Area (DTA) for Duty-free under the Export-Import (EXIM) Policy. Entrepreneurs can claim Refundable Central Sales Tax for their units.

The scheme is monitored by the **Department of Electronics**, Government of India, New Delhi. A separate **Inter-Ministerial Standing Committee** (IMSC) is set up under the Chairmanship of the Secretary, Department of Electronics, to review and process the applications submitted by the entrepreneurs.

Software Technology Park (STP) Scheme: The STP Scheme is a 100% export-oriented scheme for the development and export of computer software, including the export of professional services using communication links or physical media. As a unique scheme, it focuses on one sector, i.e. computer software. The scheme integrates the government concept of 100% Export Oriented Units (EOU) and Export Processing

Zones (EPZ) and the concept of Science Parks/Technology Parks, operating elsewhere in the world. The unique feature of the STP scheme is the provisioning of single-point contact services for member units, enabling them to conduct export operations at a pace commensurate with international practices.

STPI’s main objective has been the promotion of software exports from the country. STPI acts as a **single window** in providing services to software exporters.

The services rendered by STPI for the software exporting community have been statutory services, data communications services, incubation facilities, training and value-added services. STPI has played a key developmental role in the promotion of software exports with a special focus on SMEs and startup units.

Bio-Technology Park (BTP) Scheme: The **Department of Biotechnology** (DBT) has partnered with various State Governments to establish Biotech Parks since 2003. It has helped to translate research into products and services by providing necessary infrastructure support. These parks are successfully accelerating the commercialization of new technologies, assisting new enterprises to forge appropriate linkages with other stakeholder of biotechnology sector including academia, industry and Government. Right now, there are nine such parks.

DEEMED EXPORTS

Deemed Exports: "Deemed Exports" for the purpose of this FTP refer to those transactions in which goods supplied do not leave country, and payment for such supplies is received either in Indian rupees or in free foreign exchange.

Difference between Export, Deemed Export, and Merchant export:

- **Export**: An export refers to a trade transaction wherein the goods are produced locally and then it is shipped to a foreign country.
- **Deemed Export**: Goods classified as deemed export may not ship out of the country.
- **Merchant Export**: Merchant export is the process of procuring goods locally and then exporting them under their label. A merchant exporter is someone who buys goods locally and then exports them globally under his name.

The goods that are eligible for being considered as deemed exports receive the following benefits:

- The supplier receives an Advance License for intermediate supply/ deemed export/ Duty Free Replenishment Certificate (DFRC)/ DFRC for intermediate supplies/special imprest license.
- Deemed exports are exempted from the terminal excise duty or the duty is fully refundable.
- The manufacturers are eligible for a Special Import License at the rate of 6 percent of the Freight On Board (FOB) value.
- If the goods have been supplied against an Advance Release Order or Back to Back Letter of Credit, the supplier can avail of the benefits of the Deemed Export Drawback scheme, Refund of terminal excise duty, and Special Imprest License.
- In the case of the supply of goods to a recipient who holds an EPCG license, the supplier can avail of all the above benefits except for the Special Imprest License or the Deemed Export Drawback Scheme. This applies to the cases where the supplies are made to a zero duty EPCG license holder.

QUALITY COMPLAINTS AND TRADE DISPUTES

Exporters need to project a good image of the country abroad to promote exports. Maintaining an enduring relationship with foreign buyers is of utmost importance, and complaints or trade disputes, whenever they arise, need to be settled amicably as soon as possible. Importers too may have grievances as well.

In an endeavour to resolve such complaints or trade disputes and to create confidence in the business environment of the country, a mechanism is being laid down to address such complaints and disputes in an amicable way.

Complaints/Disputes between two or more Indian entities are not covered under this mechanism. Similarly, **complaints/disputes between two or more foreign entities** are also not covered.

The following type of complaints may be considered:

a) Complaints received from foreign buyers in respect of quality of goods or services or technology supplied by exporters from India; (b) Complaints of importers against foreign suppliers in respect of quality of the goods or services or technology supplied; and

(c) Complaints of unethical commercial dealings categorized mainly as non-supply/ partial supply of goods or services or technology after confirmation of order; supplying goods or services or technology other than the ones as agreed upon; non- payment; nonadherence to delivery schedules, etc.

Mechanism for Handling of Complaints/Disputes:

To deal effectively with the increasing number of complaints and disputes, a '**Committee on Quality Complaints and Trade Disputes**' (CQCTD) will be constituted in the **Regional Authorities** (RAs) of DGFT.

- The CQCTD would be constituted under the **Chairpersonship** of the Head of Office.
- The Committee (CQCTD) will be responsible for enquiring and investigating all Quality related complaints and other trade-related complaints falling under the jurisdiction of the respective RAs.
- It will take prompt and effective steps to redress and resolve the grievances of the importers/ exporters and overseas buyers/ sellers preferably within three months of receipt of the complaint.
- Wherever required, the Committee (CQCTD) may take the assistance of the **Export Promotion Councils/FIEO/Commodity Boards** or any other agency as considered appropriate for settlement of these disputes.
- CQCTD will hold its meetings at regular intervals and **at least four meetings in a year** given the pendency of complaints/disputes.
- A Case Officer will be assigned for monitoring purposes in the designated Regional Authorities for resolving complaints and trade disputes in a time-bound manner.
- Director General of Foreign Trade would appoint an officer, not below the rank of **Joint Director General**, in the Headquarters, to function as the '**Nodal Officer**' for monitoring the trade disputes and coordinating with Regional Authorities of DGFT, Foreign Trade Divisions of the Department of Commerce, Indian Missions and other agencies.

PROMOTING CROSS-BORDER TRADE IN THE DIGITAL ECONOMY

While there is no single recognised and accepted definition of digital trade, there is a growing consensus that it encompasses digitally-enabled transactions of trade in goods and services that can either be digitally or physically delivered, and that involve consumers, firms, and governments. That is, while all forms of digital trade are enabled by digital technologies, not all digital trade is digitally delivered.

Export of goods and services where selling is through the internet on an e-Commerce platform, the payment for which shall be done through international credit or debit cards, or other authorised electronic payment channels and as **specified by the RBI** from time to time.

- **E-Commerce platform** is an electronic platform, including a web-portal, that enables the commercial process of buying and selling through the internet.

India's e-commerce market is one of the largest markets in the world and is expected to grow further in the coming years. This is a result of a combination of factors including increased internet and smartphone penetration and simplified payment systems. E-commerce exports, however, still account for only a fraction of India's total goods exports. The FTP 2023 looks to change this and increase India's e-commerce exports by enabling vendors to access the international markets.

Promotion of E-Commerce Exports: The **Niryat Bandhu Scheme** (NBS) as defined under Chapter 1 of the Policy shall have a component for the promotion of e-Commerce and other emerging channels of exports. Under the given NBS component, DGFT shall organise outreach activities/workshops in partnership with Customs Authorities, Department of Post, 'Industry Partners' and 'Knowledge Partners' for promotion of e-Commerce exports. Besides outreach/ workshops, specific focus may be on creation of electronic content as well.

E-Commerce Export Hubs (ECEHs): The policy proposes to create E-Commerce Export Hubs (ECEHs), which would act as a centre for favourable business infrastructure and facilities for cross-border e-commerce activities. These hubs would provide the necessary infrastructure for exports and also connect to and leverage the services of the nearest logistics hubs.

To access these facilities and benefit from these initiatives, the government aims to increase awareness by conducting outreach activities and taking measures for skill development and capacity building in partnership with other government authorities and knowledge partners.

i. The ECEH shall ordinarily be set up through private initiative. It may also be set up in Public-Private Partnership (PPP) mode in partnership with the State governments/Central government. Request for approval of an ECEH proposed shall be submitted to the notified committee to be **constituted by DGFT**.

ii. Existing facilities with the required infrastructure may also apply to be designated as ECEH.

iii. ECEH may be provided financial assistance under the Market Access Initiative (MAI) Scheme, for e-Commerce export promotion projects for marketing, capacity building and technological services such as imaging, cataloguing, and product video creation of e-Commerce Goods.

Dark Niryat Kendras: Dak Ghar Niryat Kendras shall be operationalised throughout the country to work in a hub-and-spoke model with Foreign Post Offices (FPOs) to facilitate cross-border e-Commerce and to enable artisans, weavers, craftsmen, MSMEs in the hinterland and land-locked regions to reach international markets.

SCOMET: SPECIAL CHEMICALS, ORGANISMS, MATERIALS, EQUIPMENT AND TECHNOLOGIES

Background: India is a signatory to international conventions on disarmament and non-proliferation, viz. the **Chemical Weapons Convention** (CWC) and **Biological and Toxin Weapons Convention** (BWC). The **United Nations Security Council Resolution 1540** obliges all countries to prohibit access of weapons and mass destruction and their delivery systems to non-state actors (in particular for terrorist purposes); and prescribed measures and controls on weapons of mass destruction, their delivery systems and related materials, equipment and technology. India is also a member of the major multilateral export control regimes, viz. the **Missile Technology Control Regime** (MTCR), **Wassenaar Arrangement** (WA) and **Australia Group** (AG); and has harmonized its guidelines and control lists with that of the **Nuclear Suppliers Group** (NSG). In consonance with the guidelines and control lists of these international conventions and obligations as well as multilateral export control regimes, India has regulated the exports of dual use items, nuclear related items, including software and technology.

In respect of controls on export of specified goods, services and technology, the **Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005** shall apply to exports, transfers, re-transfers, brought in transit, trans-shipment of, and brokering in specified goods, technology or services.

SCOMET is an acronym for **Special Chemicals, Organisms, Materials, Equipment and Technologies**. Accordingly, the SCOMET list is our **National Export Control List** of dual use items munitions and nuclear related items, including software and technology and is aligned to the control lists of the all the multilateral export control regimes and conventions.

Table: SCOMET Categories and Licensing Jurisdiction

SCOMET Category	SCOMET items	Jurisdictional Licensing Authority	Remark
0	Nuclear materials, nuclear-related other materials, equipment and technology	Department of Atomic Energy (DAE)	Including items mentioned in Note 2 of CIN of SCOMET List
1	Toxic chemical agents and other chemicals	Directorate General of Foreign Trade (DGFT)	
2	Micro-organisms, Toxins	DGFT	
3	Materials, Materials Processing Equipment and related Technologies	DGFT	
4	Nuclear-related other equipment and technology, not controlled under Category '0'	DGFT	
5	Aerospace systems, equipment, including production and test equipment, and related Technology and specially designed components and accessories thereof.	DGFT	
6	Munitions List	Department of Defence Production (DDP)/ Ministry of Defence	Excluding those covered under Note 2 and 3 of CIN and Sub-category 6A007, 6A008
7	'**Reserved**'	DGFT	
8	Special Materials and Related Equipment, Material Processing, Electronics, Computers, Telecommunications, Information Security, Sensors and Lasers, Navigation and Avionics, Marine, Aerospace and Propulsion.	DGFT	

PIB SUMMARY OF FTP – 2023

Foreign Trade Policy (2023) is a policy document which is based on continuity of time-tested schemes facilitating exports as well as a document which is nimble and responsive to the requirements of trade. It is based on principles of 'trust' and 'partnership' with exporters. In the FTP 2015-20, changes were done subsequent to the initial release even without announcement of a new FTP responding dynamically to emerging situations. Hereafter, the revisions of the FTP shall be done as and when required. Incorporating feedback from Trade and Industry would also be continuous to streamline processes and update FTP, from time to time.

The Key Approach to the policy is based on these 4 pillars:

(i) Incentive to Remission,

(ii) Export promotion through collaboration - Exporters, States, Districts, Indian Missions,

(iii) Ease of doing business, reduction in transaction cost and e-initiatives and

(iv) Emerging Areas – E-Commerce Developing Districts as Export Hubs and streamlining SCOMET policy.

The FTP 2023 aims at process re-engineering and automation to facilitate ease of doing business for exporters. It also focuses on emerging areas like dual use high end technology items under SCOMET, facilitating e-commerce export, and collaborating with States and Districts for export promotion.

The FTP 2023 encourages recognition of new towns through the "**Towns of Export Excellence Scheme**" and exporters through the "**Status Holder Scheme**". The FTP 2023 is facilitating exports by streamlining the popular Advance Authorization and EPCG schemes and enabling merchanting trade from India.

Process Re-Engineering and Automation: Greater faith is being reposed on exporters through automated IT systems with risk management system for various approvals in the new FTP. The policy emphasizes export promotion and development, moving away from an incentive regime to a regime which is facilitating, based on technology interface and principles of collaboration. Considering the effectiveness of some of the ongoing schemes like Advance Authorisation, EPCG etc. under FTP 2015-20, they will be continued along with substantial process re-engineering and technology enablement for facilitating the exporters. FTP 2023 codifies implementation mechanisms in a paperless, online environment, building on earlier 'ease of doing business initiatives. Reduction in fee structures and IT-based schemes will make it easier for MSMEs and others to access export benefits.

Duty exemption schemes for export production will now be implemented through Regional Offices in a rule-based IT system environment, eliminating the need for a manual interface. During the FY23-24, all processes under the Advance and EPCG Schemes, including issue, re-validation, and EO extension, will be covered in a phased manner. Cases identified under risk management framework will be scrutinized manually, while the majority of the applicants are expected to be covered under the 'automatic' route initially.

Towns of Export Excellence: Four new towns, namely Faridabad, Mirzapur, Moradabad, and Varanasi, have been designated as Towns of Export Excellence (TEE) in addition to the existing 39 towns. The TEEs will have priority access to export promotion funds under the MAI scheme and will be able to avail of Common Service Provider (CSP) benefits for export fulfilment under the EPCG Scheme. This addition is expected to boost the exports of handlooms, handicrafts, and carpets.

Recognition of Exporters: Exporter firms recognized with 'status' based on export performance will now be partners in capacity-building initiatives on a best-endeavor basis. Similar to the 'each one teach one' initiative, 2-star and above status holders would be encouraged to provide trade-related training based on a model curriculum to interested individuals. This will help India build a skilled manpower pool capable of servicing a $5

Trillion economy before 2030. Status recognition norms have been re-calibrated to enable more exporting firms to achieve 4 and 5-star ratings, leading to better branding opportunities in export markets.

Promoting export from the districts: The FTP aims at building partnerships with State governments and taking forward the Districts as Export Hubs (DEH) initiative to promote exports at the district level and accelerate the development of a grassroots trade ecosystem. Efforts to identify export-worthy products & services and resolve concerns at the district level will be made through an institutional mechanism – State Export Promotion Committee and District Export Promotion Committee at the State and District level, respectively. District-specific export action plans to be prepared for each district outlining the district-specific strategy to promote export of identified products and services.

Streamlining SCOMET Policy: India is placing more emphasis on the "export control" regime as its integration with export control regime countries strengthens. There is a wider outreach and understanding of SCOMET (Special Chemicals, Organisms, Materials, Equipment and Technologies) among stakeholders, and the policy regime is being made more robust to implement international treaties and agreements entered into by India. A robust export control system in India would provide access of dual-use High end goods and technologies to Indian exporters while facilitating exports of controlled items/technologies under SCOMET from India.

Facilitating E-Commerce Exports: E-commerce exports are a promising category that requires distinct policy interventions from traditional offline trade. Various estimates suggest e-commerce export potential in the range of $200 to $300 billion by 2030. FTP 2023 outlines the intent and roadmap for establishing e-commerce hubs and related elements such as payment reconciliation, book-keeping, returns policy, and export entitlements. As a starting point, the consignment-wise cap on E-Commerce exports through courier has been raised from ₹5Lakh to ₹10 Lakh in the FTP 2023. Depending on the feedback of exporters, this cap will be further revised or eventually removed.Integration of Courier and Postal exports with ICEGATE will enable exporters to claim benefits under FTP. The comprehensive e-commerce policy addressing the export/import ecosystem would be elaborated soon, based on the recommendations of the working committee on e-commerce exports and inter-ministerial deliberations. Extensive outreach and training activities will be taken up to build capacity of artisans, weavers, garment manufacturers, gems and jewellery designers to onboard them on E-Commerce platforms and facilitate higher exports.

Facilitation under Export Promotion of Capital Goods (EPCG) Scheme: The EPCG Scheme, which allows import of capital goods at zero Customs duty for export production, is being further rationalized. Some key changes being added are:

- Prime Minister Mega Integrated Textile Region and Apparel Parks (PM MITRA) scheme has been added as an additional scheme eligible to claim benefits under CSP(Common Service Provider) Scheme of Export Promotion capital Goods Scheme(EPCG).
- Dairy sector to be exempted from maintaining Average Export Obligation – to support dairy sector to upgrade the technology.
- Battery Electric Vehicles (BEV) of all types, Vertical Farming equipment, Wastewater Treatment and Recycling, Rainwater harvesting system and Rainwater Filters, and Green Hydrogen are added to Green Technology products – will now be eligible for reduced Export Obligation requirement under EPCG Scheme

Facilitation under Advance authorization Scheme: Advance authorisation Scheme accessed by DTA units provides duty-free import of raw materials for manufacturing export items and is placed at a similar footing to EOU and SEZ Scheme. However, the DTA unit has the flexibility to work both for domestic as well as export production. Based on interactions with industry and Export Promotion councils, certain facilitation provisions have been added in the present FTP such as

- Special Advance Authorisation Scheme extended to export of Apparel and Clothing sector under para 4.07 of HBP on self-declaration basis to facilitate prompt execution of export orders – Norms would be fixed within fixed timeframe.
- Benefits of Self-Ratification Scheme for fixation of Input-Output Norms extended to 2-star and above status holders in addition to Authorised Economic Operators at present.

Merchanting trade: To develop India into a merchanting trade hub, the FTP 2023 has introduced provisions for merchanting trade. Merchanting trade of restricted and prohibited items under the export policy would now be possible. Merchanting trade involves the shipment of goods from one foreign country to another foreign country without touching Indian ports, involving an Indian intermediary. This will be subject to compliance with RBI guidelines, and won't be applicable for goods/items classified in the CITES and SCOMET list. In course of time, this will allow Indian entrepreneurs to convert certain places like GIFT city etc. into major merchanting hubs as seen in places like Dubai, Singapore and Hong Kong.

Amnesty Scheme: Finally, the government is strongly committed to reducing litigation and fostering trust-based relationships to help alleviate the issues faced by exporters. In line with "***Vivaad se Vishwaas***" initiative, which sought to settle tax disputes amicably, the government is introducing a special one-time Amnesty Scheme under the FTP 2023 to address default on Export Obligations. This scheme is intended to provide relief to exporters who have been unable to meet their obligations under EPCG and Advance Authorizations, and who are burdened by high duty and interest costs associated with pending cases. All pending cases of the default in meeting Export Obligation (EO) of authorizations mentioned can be regularized on payment of all customs duties that were exempted in proportion to unfulfilled Export Obligation. The interest payable is capped at 100% of these exempted duties under this scheme. However, no interest is payable on the portion of Additional Customs Duty and Special Additional Customs Duty and this is likely to provide relief to exporters as interest burden will come down substantially. It is hoped that this amnesty will give these exporters a fresh start and an opportunity to come into compliance.