Chapter VI

ASSISTANCE FOR EXPORT PROMOTION BY GOVERNMENT OF INDIA

In order to promote export, the Govt. of India offers various incentives and facilities to the exporters to help them. This is necessary to improve their competitiveness in the foreign markets. These incentives and facilities relate to export performance, export promotion, fiscal incentives, schemes aimed at facilitation of imports for exports and various subsidies. Almost all countries in the world to develop export to improve economic condition. Basically high export growth is an indication of sound economic condition of the country. It is observed that most of the developed countries are having major scheme in the World trade, they enjoy foreign exchange stock to finance imports. If the size of the country is big and proportion is more, the market share of that country in the international market is always less vice versa. This is because the demand for the product from domestic market which defines the need of domestic market which is small, foreign market provides opportunities to achieves economies of scale & growth. Some of the agricultural products are produced more than the domestic demand, which can be exported. Some of the countries can achieve export oriented growth provided they have activity and potential. The export market can help to absorb shocks of domestic recession. Any country needs to boost its exports to earn enough foreign exchange to finance its imports of goods & services. It should be noted that many countries are suffering from trade deficit and foreign debt. Even if in the case of countries with trade surplus export promotion may be required to maintain it's position against the international competition and level of domestic economic activity.

The main objectives of the export promotion measures set by Govt. are to compensate the exporters for the high domestic cost of production. And to provide necessary assistance to the new exporter to develop export business.
It also aims to increase the relative profitability of the export business vis a vis the domestic business.

**Review of export promotion policy of Govt. of India**

Export promotion has received considerable attention in India only since the Third Five Year Plan. The Indian export has suffered from various problems like non-availability of promotional facilities and financial assistance. The Indian export has faced many difficulties since independence.

During the first five year plan the Govt. of India did not suffer serious problem of foreign exchange. The second five year plan documents stated that all possible effort should be made to increase the exports. But during this plan period, it is found that there is no significant increase in the export. This is because of improper execution of provisions made in this plan for export promotion. This plan did not suggest any export promotion measures to increase the rate of export. The Govt. has actually made provisions to take corrective measures to increase the rate of export since third five year plan onwards.

The Govt. of India plays an important role in export promotion by offering various incentives and facilities to the Indian exporters. These export promotion incentives and facilities are discussed in detail as follows.

**6.1 DUTY DRAWBACK**

(Note: The concept of Duty Drawback is referred as the amount of excise duty and customs duty paid by the exporter which is remitted by the government to the exporter for the goods exported by the exporter.)

**6.1.1 Meaning**

It is an internationally accepted principle that goods exported out of a country are relieved of the duties borne by them at various stages of their manufacture so that they become competitive in the world markets. This is done through the scheme of Duty Drawback. The duty drawback refers to the refund in respect of Central Excise and Customs Duties paid in respect of the
raw materials and other inputs used in the manufacture of the product prior to its export.

The present scheme of duty drawback is governed by the provisions of section 75 of the Customs Act, 1962 read with the Customs and Central Excise Duties Drawbacks Rules, 1995 framed under section 75(2) of the Customs Act and section 37 of the Central Excise and Salt Act, 1944. The Customs and Central Excise Duties Drawback Rules, 1995 were announced on 26.5.95 vide notification no. 37/95- Customs and Central Excise (NT).

An exporter is entitled to claim the amount of duty drawback as soon as export of goods take place. Under section 2(10) of the Customs Act, 1962, export means taking goods out of India to a place outside India. Delivery of goods at the port of destination is not essential. Export of goods is completing as soon as the ship carrying the cargo passes the territorial waters of India and title of the goods passes to the buyer. The 'export' for the purpose of filing the claim for the grant of duty drawback is evidenced by the LET EXPORT order of the customs proper officer clearing the shipment for exports.

6.1.2 Rates of Duty Drawback
The Government of India announces every year on 31st May, the rates of duty drawback in respect of schedule of items. All such rates are called All Industry Rates i.e. rates of drawback announced for a class of goods. The rates indicate customs and excise duties allocation. These rates are generally made effective for one year from 1st of June. In case duty drawback rate is not announced for a product, its manufacturer/ exporter can submit an application in the prescribed form for determination of specific rate of duty drawback for that particular product. Such a rate is known as Brand Rate. If the rate of duty drawback is less than 80 per cent of the duties paid, then the exporter can apply for its upward revision in the prescribed form. The modified rate of duty drawback is known Special Brand Rate. The application in the prescribed form is submitted to the Directorate of Duty Drawback, Ministry of Finance, Government of India for the fixation of Brand Rate and Special Brand Rate.
The rates of duty drawback are expressed as a certain percentage of the FOB value of the goods or as a certain amount in relation to the basic material used in the export product without a limit on the amount of drawback.

There are two types of rates of duty drawback:

**All Industry Rate** – These rates are published in the form of notification by the Govt. every year. The rates are either on quantity basis (e.g. per k.g. or per tonne) or on the basis of percentage of FOB value. These rates do not compensate different exporters fully for the customs and excise duty's actually paid by them.

**Brand Rates / Special Brand Rates** - These rates are fixed on the individual request of an exporter / manufacturer. Since the All Industry Rates do not compensate the different exporters fully for the customs and excise duties actually paid by them. Thus, drawback rules provide that where the All Industry Rate for any class of goods is less than four – fifth of the duties actually paid in there manufacture an application for fixation of special brand rates may be made.  

6.1.3 Admissibility of Duty Drawback

Duty drawback is admissible for the export of all the notified products. However, it is not admissible in the following cases:

- No excise/customs duties were paid for the manufacture of export product.
- Manufacture and/or export is for fulfilling export obligation under Duty Exemption Scheme.
- Amount of the drawback is less than 1 per cent of the F.O.B. value (except where the amount of drawback is more than Rs. 500)
- Manufacture and/or export is by 100 per cent EOU/EPZ unit/SEZ unit.
- Product is manufactured wholly or partially in bond under section 65 of the Customs Act, 1962.
- Goods are manufactured and/or exported under Rule 12(1) (a) or 13(1) (a) of the Central Excise Rules.
- If the export proceeds are not realized within six months.
6.1.4 Filing Duty Drawback claim in a prescribed format

The procedure for filing the claim for the grant of duty drawback depends upon whether the processing of the shipping documents has been done under the computerized system or not.

In case of custom stations where there is computerized processing of the shipping documents, the exporter is not required to file a separate claim for the grant of duty drawback. The exporter files the prescribed declaration for the claim of duty drawback at the time of submitting documents for the customs clearance of the export shipment. The exporter is also required to open the current account with the designated branch of the bank as specified by the customs authorities. This account is necessary as the amount of duty drawback is directly credited to the account of the exporter after the sanction of the drawback. The processing of the drawback claim is done by the customs authorities after the Export General Manifest is filed.

6.1.5 Time for Filing Drawback claim

The drawback claim can be filed by an exporter within three months from date relevant for applicability of amount of rate of drawback in terms of sub rule (3) of Rule 5 i.e. within three months from the date of "Let Export" Order.

The exporter can seek extension of time beyond three months as provided under Rule 13 if the Assistant Commissioner is satisfied that exporter was prevented by sufficient cause from filing his claim within the prescribed period of three months. The extension of time can be granted up to a maximum of three months.

Wherever a sample has been drawn for test from a shipment to determine the contents of the basic materials with reference to which the amount of drawback is to be fixed, the exporter is required to file his claim along with a copy of the test report. Custom houses are required to supply a copy of test report to the exporter within a period of three months from the date of drawal of the sample. Time taken in testing of the sample, in excess of one month, is required to be excluded for computing the period of three months specified for
filing of claim by the exporter. Thus, where testing of sample takes one month and twenty days, exporter will be eligible to file his claim within three months and twenty days from the date of 'Let Export' order.

The claim has to be accompanied by documents specified in sub-rule(2) of the Rule 13. The claims which are complete in all respects are required to be affixed with dated receipt stamp and an acknowledgement is issued to the exporter within fifteen days from the date of filing of claim. The time limit of three months for payment of drawback shall commence from the date of such acknowledgment. Any claim which is incomplete is returned to the exporter with a deficiency memo within fifteen days of its receipt. Where the exporter complies with the requirements specified in the deficiency memo within thirty days, the same is to be treated as a fresh claim. Acknowledgments are given across the counter or sent by Registered Post Acknowledgment Due.

6.1.6 Date of Receipt of Drawback Claim
The date of filing of the claim for the purpose of Section 75A, is the date of affixing the dated receipt stamp. An acknowledgement in the prescribed form is issued in those cases where the claim is complete in all respects. The date of acknowledgement of the claim is the date of receipt of the claim.

Any claim which is incomplete in any material particulars or is without the documents specified in sub-rule (2) is not accepted for the purpose of Section 75 A and such claim is returned to the claimant with a deficiency memo in the form prescribed by the Commissioner of Customs within fifteen days of submission and shall be deemed not to have been filed.

If the exporter removes the deficiencies and resubmits the claim within 30 days from the date of deficiency memo, then the date of deficiency memo shall be treated as the date of receipt of the claim. If the claim is not resubmitted within 30 days form the date of deficiency memo then the claim is treated as fresh claim and processed accordingly.
6.1.7 Payment of Duty Drawback
The payment for duly drawback claim is made within a period of two months from the date of receipt of the claim. In case, there is a delay then the exporter is entitled to a claim of interest at the rate of 15 per cent per annum for the period of default as provided under section 75 A of the Customs Act 1962. 7

6.1.8 Procedure for claiming Drawback on goods exported
In case of export of goods under claim of Duty Drawback, the exporter should comply with the following requirements:

1. The outer packing carrying the address of the consignee should state in bold letters the words "DRAWBACK EXPORT".

2. The application for drawback in the prescribed form ‘D’ as provided under Rule 11 should be submitted in quadruplicate to the Foreign Post Office along with all other documents for booking of the parcel for export.

The remaining procedure is the same as explained above.

6.1.9 Drawback under the Duty Exemption Scheme
In the case of exports under Duty Exemption Scheme, the exporter is eligible to claim drawback in respect of packing materials used in the export products. The drawback is admissible in respect of central excise portion only at the same ‘All Industry Rate’ which is applicable to the product of export.

6.1.10 Refund of Drawback amount
In case the amount of drawback is wrongly credited to the exporter or excess credit for drawback has been given or the exporter fails to realize the export proceeds within a period of six months then the Directorate of Duty Drawback shall send a notice to the exporter to refund the amount of drawback within a period of three months from the date of notice. In case the exporter makes a default then the exporter is required to refund the same with interest at the rate of 20 per cent per annum. 1
6.2 Duty free replenishment certificate

The duty free replenishment certificate is a facility extended to both the merchant exporter and the manufacturer exporter for the duty free import of inputs used in the manufacture of goods for their replenishment. The term duty free here means that the exporter is exempt from the payment of basic custom duty and special additional duty at the time of custom clearance of the import consignment. The additional custom duty equal to the central excise duty is however, payable at the time of import.

The term 'inputs' refers to the inputs as defined under the standard input output norms as given in the Handbook of Procedure, Volume II. The exporter who wants to avail this facility should give a declaration in the export promotion copy of the shipping bill indicating the serial number and the product group of the standard input output norms of the export product at the time of seeking custom clearance of the export shipment. Besides, the exporter should also declare the quality technical characteristics and specification of the inputs used in the export product.

The application for the grant of DFRC should be submitted to the Regional Licensing Authority having jurisdiction over the firm in the prescribed form in appendix 11H along with the following documents:

1. Bank draft for payment of application fee.
2. Export promotion copy of the shipping bill.
3. Bank certificate of export and realization in the prescribed from appendix 25.
4. A statement of export giving separately each shipping bill number and date, FOB value in Indian rupees as per shipping bill and the description of the resultant product.

The exporter can file application within a period of 90 days from the date of realization of the export proceeds. The date of realization is reckoned from the last date of realization in respect of various shipments for which DFRC is
being claimed. The period of 90 days is increased to 180 days in case of export shipments sent under irrevocable letter of credit.

The CIF value of imports that can be made against DFRC is arrived at on the basis of the international price of the inputs as given under standard input out norms. The FOB value shall be calculated on the basis of the bank realization certificate. The value of DFRC is determined keeping in view the minimum value addition of 33 per cent. In case the value addition of the FOB/CIF value is less than 33 per cent than the CIF value is proportionately reduced so as to adhere to the minimum prescribed value addition of 33 per cent.

The exporter should register the export contract with the port from where shipment is to be sent as the DFRC is issued with the single port of registration i.e. the port from the export has been made. The exporter should file one application relating to one export product from one port of export. The validity of DFRC shall be 18 months.

The DFRC and the material imported against it are freely transferable. It should be ensured that the imports under DFRC should be made from the same port from where the exports have been made.

The custom authorities shall verify the details of the exports as given on DFRC with their own records before permitting the import against DFRC.

6.3 Duty entitlement pass book

Under the Duty Entitlement Pass Book (DEPB) Scheme, an exporter is eligible to claim import duty credit as a specified percentage of FOB value of exports made in freely convertible currency. The credit is granted against such export products and at such rates as may be specified by the Director General of Foreign Trade by a Public Notice issued in this behalf.

The exporter can use this credit to pay for the import duty on the import of inputs whether required for the manufacture of the export product or not.
Exporters are required to use Blue Shipping Bill to get benefit under DEPB scheme. The DEPB is valid for a period of 12 months from the date of its issuance.

The claim for the import duty credit is admissible only after the realization of the export proceeds.

Both the merchant exporter and manufacturer exporter are eligible for the benefit under the DEPB scheme. They can apply for this benefit within 180 days from the date of exports or within 90 days from the date of realization whichever is later, reckoned from the last date of realization/exports, in respect of shipments for which the claim has been filed.

The import duty credit granted under the DEPB scheme or the materials imported against it are freely transferable. The transfer to DEPB shall however, be for import at the port specified in the DEPB which shall be the port from where exports have been made.¹

6.3.1 Application for the grant of Import Duty Credit under DEPB
An application for grant of import duty credit under DEPB should be made to the licensing authority concerned in the form given in Appendix-11 C along with the following documents:

1. Demand Draft for the amount of prescribed application fee.
2. Export Promotion Copy of the DEPB shipping Bill.
4. Self attested copy of valid RCMC.

The applicant may file one or more applications subject to the condition that each application shall contain not more than 25 shipping bills. All the shipping bills in any one application must relate to exports made from one Custom House only.

The DEPB shall be issued with single port of registration, which will be port from where the exports have been effected.
6.4 Special import licence
The Export-Import Policy : 1997–2002 provides for the scheme of special Import License (SIL). Under this scheme, certain specified categories of exporters were granted the facility of special Import Licence which enabled them to import items specifically earmarked for import against this licence. There were about 685 items reserved for import against this licence as on 31.3.2000. However, as per the modifications to the Export-Import Policy : 1997-2002 announced on 21.3.2000, the number of such items has been reduced to 16 only. It was also announced that the remaining items shall be removed from the list with effect from 1.4.2001. There will be no sanction of fresh Special Import licences in respect of supplies made after 1.4.2000. Thus, this facility is no longer available to the exporters.

6.5 Green card
The Export-Import Policy, 1997-2002 as a part of the modifications announced on 31.3.2000, provides for the issue of Green Card to exporters with a view to reduce their transaction costs. The facility of Green Card would enable the eligible exporters to avail various facilities like Automatic issue of import licenses, Automatic customs clearance for exports, and Automatic customs clearance for imports related to exports.

There are various categories of exporters which are eligible for the issue of Green Card. These categories are divided into three groups. The first group comprises of all status holders (i.e. export houses etc.), the second group comprises of manufacturer exporter exporting more than 50 per cent of their production subject to a minimum turnover of Rs.1 crore in the preceding year, and the third group comprises of service providers rendering services in free foreign exchange for more than 50 per cent of their services turnover subjects to a minimum volume of Rs.35 lakhs in free foreign exchange in the preceding year.

Application for the issue of Green Card should be submitted in the prescribed form (Appendix 56) to the Regional Licensing Authority. Green Card is valid for a period of 3 years from the date of issue and a firm/company may obtain up to 5 Green Cards.

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6.6 Marketing development assistance

The Ministry of Commerce, Government of India introduced the scheme of Marketing Development Assistance (MDA) in 1963 in order to promote exports from India. The main thrust of the scheme is to provide for development of marketing of Indian products and commodities in foreign markets by providing grants in aid for the eligible marketing activities to the eligible exporters.

The grant under Marketing Development Assistance is in the form of non-refundable financial assistance given to the exporters by way of reimbursement of the actual expenditure incurred by them subject to the scale of grants laid down under the scheme.

6.6.1 Marketing activities

The following marketing activities are eligible for grant under MDA:

1. Sales cum study tours
2. Participation in fairs and exhibition abroad.
3. Publication, Publicity
4. Research and product development
5. Opening of foreign offices
6. Opening of warehouse.

6.6.2 Eligibility of exporters

The following categories of exporters are eligible to claim the grants in aid under MDA (Marketing Development Assistance):

- Export houses, Trading houses, Star trading houses, and Super star trading Houses.
- Other exporters who fulfill the following criteria as specified under para 11.11 (a & b) of the Handbook of procedures 1997-2002 Vol.1 as amended on 31.3.2000:
  1. The exporters who have export turnover (export of physical goods and services including software but excluding deemed exports) of the FOB value of Rs. 5 crores and above in the
preceding licensing year or an average of FOB value of Rs. 2 crores and above in the preceding licensing year or an average of FOB value of Rs. 2 crores and above during the preceding 3 licensing years OR

2. The small scale exporters holding the certification under ISO 9000 series or IS 9000 series of quality certification, should have export turnover of FOB value of Rs. 3 crores and above in the preceding year or an average of Rs. 1 crore or above during the preceding 3 licensing years.

6.6.3 Marketing activities and the scale of assistance

The details of the activities and the scale of assistance are given in the following table:

Table 6.1
Marketing Activities and Scale of Grant-In-Aid

<table>
<thead>
<tr>
<th>Marketing Activity</th>
<th>Amount of Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sales cum study tour abroad.</td>
<td>Maximum 90 per cent of the actual fare for SSI exporters and 75 per cent for other than SSI exporters subject to a limit of Rs. 60000/- for travel in economy class for all categories of exporters.</td>
</tr>
<tr>
<td>2. Participation in fairs/exhibition abroad</td>
<td>Maximum 90 per cent of the total expenditure incurred on items of expenditure viz. air travel in economy class, space rent, decoration, electricity, interpreters etc. in the case of SSI exporters and 75 per cent of total expenditure in the case of non-SSI exporters subject to the maximum of Rs. 90000/- in all the cases.</td>
</tr>
<tr>
<td>3. Publications/Publicity for bringing out publications for use abroad and insertion of advertisement in the foreign media to promote brand publicity</td>
<td>Maximum of Rs. 50000/- in a financial year or 25 per cent of the actual cost, whichever is less.</td>
</tr>
<tr>
<td>4. Research and Product Development.</td>
<td>50 per cent of the expenditure approved for this activity by the Office of the Dy. Director Ministry of Commerce, Udyog Bhawan, New Delhi.</td>
</tr>
</tbody>
</table>
5. Opening of Foreign Office  
For the first year, 25 per cent of the salary of the staff (one senior and one junior) and 20 per cent of the office rent.

6. Opening of warehouse  
Grant at the rate of 25 per cent for three years.

Source: Hand Book of Exporters 1999 – 2000, Edited & Published by Nabhi Publication, New Delhi

6.6.4 Application for the grant of Marketing Development Assistance
The exporters approved as export houses, trading houses etc. should apply to Federation of Indian Export Organisation (FIEO), PHD House, Khel Gaon Marg, New Delhi. Other exporters should apply to the concerned Export Promotion Council/Commodity Boards under the Ministry of Commerce / APEDA/ MPEDA. The application for the grant of financial assistance under MDA should be submitted within 2 weeks of the completion of the activity for which grant is applied for. The claim should be supported by the following documents:

- A brief report on the result achieved and the business transacted during the fair/sales cum study tour.
- Copies of the passport highlighting the entries showing departure from/arrival in India.
- Original air tickets, along with the photo copy.
- Date wise stay in each of the countries visited.
- Any other document as may be prescribed by the sanctioning authority.

The proposals for the grant assistance in respect of research and product development activities opening of foreign office/warehouse should be submitted in advance to the office of the Deputy Director Ministry of Commerce, Udyog Bhawan, New Delhi.

6.6.5 General conditions governing the grant of MDA

- The application should be submitted within the prescribed time limit as laid down by APEDA / MPEDA / FIEO / EPCs / CBs from time to time.
• The journey should be performed as far as possible by Air India in economy class.
• A complete proposal indicating the nature of activity and how the funds should be utilized should be submitted along with the application.

6.7 Air freight subsidy on horticulture and floriculture exports
The Agricultural and Processed Foods Export Development Authority (APEDA) provides air freight subsidy on selected fruits, vegetables and floriculture products exports from India.

6.7.1 Products coverage
The various items eligible for air subsidy are as follows:
• Fresh fruits : Mangoes other than alphonso, banana, strawberries, papaya, watermelon.
• Fresh Vegetables : Asparagus, Broccoli, Mascalroom
• Floriculture products: Cut Flowers, live plants/bulbs gladiolus and other live plants.

6.7.2 Quantum of subsidy
The subsidy is given at different rates for exports to different countries as per details given in the table below.

<table>
<thead>
<tr>
<th>Export Markets</th>
<th>Rate of Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Asia, South East Asia and CIS countries.</td>
<td>Least of the following :</td>
</tr>
<tr>
<td></td>
<td>Rs. 6 per kg.</td>
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<tr>
<td></td>
<td>25 per cent of the air freight rate approved by IATA</td>
</tr>
<tr>
<td></td>
<td>1/3rd of FOB value.</td>
</tr>
<tr>
<td>North America, Far East Countries and Europe other than CIS countries</td>
<td>Least of the following :</td>
</tr>
<tr>
<td></td>
<td>Rs. 10 per kg.</td>
</tr>
<tr>
<td></td>
<td>25 per cent of the air freight rate approved by IATA</td>
</tr>
<tr>
<td></td>
<td>1/3rd of the FOB value.</td>
</tr>
</tbody>
</table>

6.7.3 General conditions
- Subsidy is provided for transportation from port of loading to the port of destination.
- Application is considered on first come first serve basis.
- Application should be filed on fortnightly basis to include the shipment sent during the fortnight from 1-15 and 16th to the end of the month.
- Subsidy is paid only to the direct exporter.
- Subsidy is paid on gross rate actually shipped and paid for.

6.7.4 Application for grant of air subsidy
Application on the form prescribed by APEDA should be submitted to the Regional Office of APEDA along with the following documents within 30 days from the last date of the fortnight.
- Custom certified export promotion copy of the shipping bill in original.
- Self certified photo copy of the original air way bill.
- Custom certified short shipment certificate if any.
- Photo copy of APEDA registration certificate.
- Custom certified copy of commercial invoice in original.
- Bank certified copy of commercial invoice in case custom certified copy of the invoice is not enclosed.

6.8 Facilities offered by the spices board
The Spices Board provides various facilities for the marketing of spices to the exporters of spices. The exporters having Spice House certificate or Spices Board Logo are eligible for the grant of financial assistance for various export promotion activities. The details of the activities and the extent of financial assistance are given in the table 6.3
Table 6.3
Spices Board: Promotional Activities and the Financial Assistance

<table>
<thead>
<tr>
<th>Nature of Activity</th>
<th>Financial Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Promotion of branded goods in foreign markets</td>
<td>Maximum of Rs. 5 lacs or 50 per cent of the total expenditure whichever is less.</td>
</tr>
<tr>
<td>Multilingual printing of brochure/folders for distribution among overseas buyers</td>
<td>Maximum of Rs. 1 lac or 50 per cent of the total cost of printing whichever is less.</td>
</tr>
<tr>
<td>Packaging Development/Bar Coding Registration</td>
<td>Maximum Rs. 2 lacs or 50 per cent of the actual cost whichever is less.</td>
</tr>
<tr>
<td>Reimbursement of air freight courier charges for sending samples abroad</td>
<td>Maximum of Rs. 25,00/- per exporter per year.</td>
</tr>
<tr>
<td>Setting up/upgradation of laboratory</td>
<td>Rs. 1 lac or maximum of the 50 per cent of the cost of laboratory equipment whichever is less provided the exporter has achieved the export turnover of Rs. 5 lacs</td>
</tr>
<tr>
<td>Facilities for monitoring pesticide residue</td>
<td>Rs. 2 lacs or 50 per cent of the cost of equipment, whichever is lower.</td>
</tr>
<tr>
<td>ISO/IS 9000 quality control system</td>
<td>Rs. 2 lacs or 50 per cent of the consultancy and certification charges whichever is less.</td>
</tr>
<tr>
<td>Technology transfer and process upgradation</td>
<td>25 per cent of the developing/adopting technology cost subject to a maximum of Rs. 10 lacs in a single case.</td>
</tr>
<tr>
<td>Research and Development</td>
<td>50 per cent of the cost of product development research programme or Rs. 2 lacs whichever is less.</td>
</tr>
</tbody>
</table>

Source: Directorate General of Commercial Intelligence & Statistics, Govt. of India (DGCI & S), Council House Street, Calcutta - 700001

The above financial assistance is provided by the Spices Board by way of reimbursement of the expenditure incurred by the exporters.
6.9 Facilities provided by APEDA
The APEDA provides financial assistance for the development and promotion of export of agricultural, horticultural and meat products. The various schemes for which financial assistance is provided are as follows:

- Feasibility study consultancy and data base up gradation
- Development of Infrastructure.
- Market Development.
- Packing Development
- Quality Control Assistance
- Upgradation of meat plants
- Organisations building and Human Resource Development.

The Marine Products Export Development Authority provides financial assistance to the exporters of marine products under the following schemes.

- Infrastructure Development
- Prawn Farming
- Diversification and modification
- Quality Control
- Marketing Services

The financial assistance provided by APEDA / MPEDA is in the nature of reimbursement of expenses incurred by the export firms registered with these agencies.

6.9.1 Financial Assistance
The various activities and the admissible amounts of financial assistance given by APEDA are given in table 6.4
<table>
<thead>
<tr>
<th>Nature of Activity</th>
<th>Scale of Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undertaking feasibility studies and market Surveys</td>
<td>Rs. 2 lacs or upto 50 per cent of the cost of study whichever is less.</td>
</tr>
<tr>
<td>Purchase of specialized transport unit for meat, horticulture and floriculture sector</td>
<td>Rs. 1.5 lacs or upto 25 per cent of the capital cost whichever is less.</td>
</tr>
<tr>
<td>Facilities for pre-cooling, mechanized post harvest handling, sheds for grading, sorting, quality control and packaging, vapour heat treatment, fumigation and screening facility</td>
<td>Rs. 5 lacs or 50 per cent of the capital cost establishing such facilities, whichever is less.</td>
</tr>
<tr>
<td>Supply of product samples for the purpose of test marketing product Information and promotion</td>
<td>Maximum of Rs. 50,000/- per Exporter.</td>
</tr>
<tr>
<td>Publicity and promotional Literature</td>
<td>Upto 40 per cent of the total product cost or Rs. 1 lac whichever is less. Rs. 50,000/- or upto 40 per cent of the actual cost, whichever is less.</td>
</tr>
<tr>
<td>Brand publicity through Advertisement.</td>
<td>Assistance for space rental only to be decided for each fair.</td>
</tr>
<tr>
<td>Participation is trade fairs</td>
<td>Rs. 1 lac or upto 60 per cent of the cost of packing development</td>
</tr>
<tr>
<td>Packing Development</td>
<td>whichever is less. Rs. 1 lac or 30 per cent of the subsidy whichever is less.</td>
</tr>
<tr>
<td>Utilisation of packaging developed by APEDA.</td>
<td>Rs. 5 lacs or upto 50 per cent of the cost whichever is less.</td>
</tr>
<tr>
<td>Setting up/ Strengthening of Quality control activities and Laboratories for obtaining certification under ISO/IS 9000 or IS 14000 series of standards.</td>
<td>Rs. 2 lacs or 50 per cent of the cost whichever is less.</td>
</tr>
<tr>
<td>Specialised consultancy services towards installation of ISO 9000 or other quality control systems. Upgrading of technical skill of supervisory, technical and managerial personnel through training in India.</td>
<td>Maximum of 50 per cent of the cost of approved training programme.</td>
</tr>
</tbody>
</table>

Source: Agricultural & Processed Food Products Export Development Authority, Mumbai.
Similarly, MPEDA offers financial assistance to the exporters of marine products to promote export production and marketing of products. The schemes of financial assistance cover all the stages namely, farming, quality control, development of production infrastructure and equipment, transportation and air freighting of samples. The exporters registered with MPEDA should apply on the prescribed form for getting their proposals first approved before incurring the expenditure.8

6.10 Fiscal incentives
6.10.1 Sales Tax Exemption
Exporters are eligible to claim exemption from the levy of sales tax on the supplies taken by them for manufacture of goods meant for production of export product or supplies of goods for exports against specific export orders. This facility is available to the exporters both under the Central Sales Tax Act 1956 and under the Local Sales Acts of the specific states. The exporters are required to give Form H to the suppliers of goods/materials from another State and the exemption from prescribed by the Sales Tax Department of the State concerned in case of supplies procured from within the State. The 100 per cent export oriented units and the units in export processing zones, special economic zones, electronic hardware technology park and software technology park are entitled to full reimbursement of Central Sales Tax paid by them on the purchases made by them from within the State in which they are located, for the purpose of production of goods meant for exports.

6.10.2 Income Tax Exemption
The export firms are eligible for deduction under Section 80 HHC in respect of income from export turnover on their incomes earned in the previous year in a phased manner as given table 6.5
<table>
<thead>
<tr>
<th>Assessment Year</th>
<th>Extent of Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-2002</td>
<td>80 per cent</td>
</tr>
<tr>
<td>2002-2003</td>
<td>70 per cent</td>
</tr>
<tr>
<td>2003-2004</td>
<td>50 per cent</td>
</tr>
<tr>
<td>2004-2005</td>
<td>30 per cent</td>
</tr>
<tr>
<td>2005-06</td>
<td>nil</td>
</tr>
</tbody>
</table>

Similar deduction is available to the units engaged in the export of computer software (to include customized electronic data or any other product or service-of-a-similar nature as may be notified by the Central Board of Direct Taxes) under Section 80 HH E.

Under Section 10 A, Tax holiday has been provided for 10 years beginning assessment year 2000-2001 for the newly establishment industrial undertakings in free trade zones, special economic zones, electronic hardware technology park or software technology park as well as 100 per cent export oriented units.

One of the basic conditions is that the exports proceeds must be realized in free foreign exchange i.e., freely convertible foreign currency.

6.11 Recognition of exporters
The Export-Import Policy : 1997-2002 provides for the recognition of the export firms to further promote exports from India, Accordingly, an export firm can seek recognition as follows:

1. Export House
2. Trading House
3. Star Trading House
4. Super Star Trading House

6.11.1 Who can seek recognition?
Merchant exporters, manufacturer exporters and trading companies having foreign equity, EOU, SEZ & EPZ units engaged in the export of merchandise
can seek recognition as Export House, Trading House, Star Trading House and Super Star Trading House. Such recognition is granted as per the criteria laid down in the Export-import Policy in force from time to time.

6.11.2 Criteria for recognition

Under the Export-Import Policy, 1997-2002, the criteria for recognition as Export House, Trading House, Star Trading House or Super Star Trading House is the FOB value of Physical exports or Net Foreign Exchange (NFE) earned, at the option of the exporter. The cut-off amounts of eligibility for recognition under both the options are given in table 6.6

<table>
<thead>
<tr>
<th>Category</th>
<th>Average FOB value of during the Preceding three licensing years In Rupees (2)</th>
<th>FOB Value during the preceding licensing year In Rupees (3)</th>
<th>Average NFE earning made during the preceding three licensing years In Rupees (4)</th>
<th>NFE earned during the preceding year In Rupees (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export House</td>
<td>15 Crores</td>
<td>22 Crores</td>
<td>12 Crores</td>
<td>18 Crores</td>
</tr>
<tr>
<td>Trading House</td>
<td>75 Crores</td>
<td>112 Crores</td>
<td>62 Crores</td>
<td>90 Crores</td>
</tr>
<tr>
<td>Star Trading House</td>
<td>375 Crores</td>
<td>560 Crores</td>
<td>312 Crores</td>
<td>450 Crores</td>
</tr>
<tr>
<td>Super Star Trading House</td>
<td>1125 Crores</td>
<td>1680 Crores</td>
<td>937 Crores</td>
<td>1350 Crores</td>
</tr>
</tbody>
</table>


The exporter can seek recognition either on the basis of FOB value of exports or Net Foreign Exchange earned. Irrespective of the criterion selected, the exporter can apply for recognition either on the basis of performance in the previous year or on the basis of average of the performance for the three preceding years. Year or on the basis of average of the performance for the three preceding years.
6.11.3 Calculation of NFE
Net Foreign Exchange earned on exports is equal to the FOB value of exports minus the value of all the licences including 2.5 times the DEPB credit earned/granted. However, the value of freely transferable Special Import Licences, EPCG licences and the value of licences surrendered during the validity of licence is not be deducted.

6.11.4 Weightage factor
The exporters are allowed the benefit of double/triple weightage for the purpose of calculation of FOB value of exports/NFE to be used as a basis for the recognition of the exporters. The details of the weightage are as follows:

I. Triple weightage is allowed for the calculation of FOB value/NFE in respect of exports in the following cases:
   - Export of Products manufactured and exported by the units in the Small Scale Industry Sector/Tiny Sector/Cottage Sector.
   - Export of products manufactured and exported by the handlooms and handicrafts sector (including handloom made silk products), hand knotted carpets and carpets made of silk.
   - Export units registered with Khadi and Village Industries Commission/Khadi and Village Industries Board.

II. Double Weightage is allowed for the calculation of FOB value/NFE in respect of export in the following cases:
   - Export by merchant exporters of the goods reserved for SSI units and manufactured by units in the Small Scale industry/Tiny/Cottage sectors.
   - Export by merchant exporters of the goods manufactured by the handlooms and handicrafts sector (including handloom made silk products), hand knotted carpets, carpets made of silk.
   - Export of fruits and vegetable, floriculture and horticulture produce/products, project exports.
   - Export of goods manufactured in North Eastern States.
- Export by units having registration under ISO/IS-9000(series) or ISO-14000(Series) Certification.
- Export of products with bar codes.

### 6.11.5 Validity period

Export House/Trading House/Star Trading House/super Star Trading House Certificate shall be valid for the period of three years starting from 1st April of the licensing year during which the application is made for the grant of recognition, unless otherwise specified. On the expiry of such certificate, application for renewal of status certificate shall be required to be made within a period of six months.

### 6.11.6 Application for Recognition

An exporter desirous of getting recognition as an Export House/Trading House/Star Trading House/Super Star Trading House should submit an application in the prescribed form (Appendix 19-Handbook of Procedures Vol. (1) (1997-2002) on or before 30th November of the Licensing Year to the concerned Regional Authority (for Export House recognition) and to the Director General of Foreign Trade (DGFT) for the issue of Certificate of Trading House/Star Trading House/Super Star Trading House. The Application, in the prescribed form, should be submitted with the following documents:

- a) Registration-cum-Membership certificate, issued by the Federation of Indian Export Organisations.
- b) For claiming double/triple weightage, a declaration that the items of export are classified as products manufactured by SSI or belong to Handicrafts, Handlooms, sports Goods, Hand knotted Carpets, and Silk Product Category.
- c) A certificate from Chartered Accountant certifying that 95 per cent of the foreign exchange proceeds representing FOB value of Physical Exports/NFE have been realized.

The application for renewal of the status should be made in the same manner as outlined above.
6.11.7 Benefits
The following benefits are available to the export firms recognized as export houses/trading houses/star trading houses/super star trading houses:

- Golden Status Certificate is granted to the export firms having recognized status.
- Such export firms are exempt from the requirement of compulsory pre-shipment inspection as provided under the Export (Quality control and Inspection) Act, 1963.
- The various licences as provided under the Export-Import Policy are issued automatically to the exporters holding this status.
- The export firms holding status are allowed to submit legal undertaking instead of bank guarantee at the time of customs clearance of their import consignments under different schemes as given in the Export-Import Policy.

6.11.6 Obligation
- Every export house/trading house/star trading house/super star trading house shall maintain true and proper accounts of its exports and imports. Such records shall be made available for inspection to the DGFT.
- Every export house/trading house/star trading house/super star trading house shall furnish any information to the DGFT or any authority authorized by him, as and when required.

6.11.7 Refusal / Suspension / Cancellation of Certificate
Export house/trading house/star trading house/super star trading house certificate may be refused or suspended or cancelled if the applicant or any agent or employee acting on behalf of the applicant.

a) Fails to discharge the export obligation imposed;
b) Tampers with import/export licences;
c) Misrepresents or has been a party to any corrupt or fraudulent practice in obtaining any licence;

d) Commits a breach of the Foreign Trade (Development and Regulation) Act, 1992 or the Rules and Orders made there under; or

e) Fails to furnish the information required by the DGFT or any person or authority authorized by him. However, a reasonable opportunity shall be given to the applicant or to the Export House/Trading House Star Trading House/Super Star Trading House before taking any action as stated above.

An applicant who is not satisfied with the decision taken on his application for the grant or renewal of Export House/Trading House/Star Trading House/Super Star Trading House Certificate or any amendment to the certificate or with any decision to suspend or cancel the certificate, may file an appeal to the Export House/Trading House /Star Trading House/Super Star Trading House Committee in the office of the DGFT within 45 days of the date of the said decision. The decision of the committee shall be final.¹
Summary

The exporters are eligible for various benefits under different laws governing the exports from and imports into India. Duty drawback is the most sought after and popular benefit with the exporting community. These benefits enable them to be competitive in the highly competitive global markets.

There are many facilities provided by the Govt. Of India to assist export promotion activities. The wide range of export promotion facilities provided by Govt. of India should be availed in full by the Indian exporters. On the basis of the analysis of this chapter, we can say that without Govt. assistance export promotion can not be practiced effectively.
References


4. Foreign Trade Management by Dr. Varma & Agarwal, Published by Forward Publication, New Delhi (year 1998).


8. Information provided by Agricultural & Processed Food Products Export Development Authority (APEDA), Mumbai (year 1999).

9. Information provided by office of the Director General of Foreign Trade (DGFT), Udyog Bhavan, New Delhi (year 1997).