Highlights of EXIM Policy 2002-07  
(as amended upto 31.3.2004)

1. Service Exports

   Duty free import facility for service sector having a minimum foreign exchange earning of Rs.10 lakhs.

   The duty free entitlement shall be 10% of the average foreign exchange earned in the preceding three licensing years. However, for hotels, the same shall be 5% of the average foreign exchange earned in the preceding three licensing years. This entitlement can be used for import of office equipments, professional equipments, spares and consumables. However, imports of agriculture and dairy products shall not be allowed for imports against the entitlement. The entitlement and the goods imported against such entitlement shall be non-transferable.

2. Agro Exports

   a. Corporate sector with proven credential will be encouraged to sponsor Agri Export Zone for boosting agro exports. The corporates to provide services such as provision of pre/post harvest treatment and operations, plant protection, processing, packaging, storage and related R&D.

   b. DEPB rate for selected agro products to factor in the cost of pre-production inputs such as fertiliser, pesticides and seeds.

3. Status Holders

   a. Duty-free import entitlement for status holders having incremental growth of more than 25% in FOB value of exports (in free foreign exchange).

   This facility shall however be available to status holders having a minimum export turnover of Rs.25 crore (in free foreign exchange). The duty free entitlement shall be 10% of the incremental growth in exports and can be used for import of capital goods, office equipment and inputs for their own factory or the factory of the associate/supporting manufacturer/job worker. The entitlement/ goods shall not be transferable. This facility shall be available on the exports made from 1.4.2003.

   b. Annual Advance Licence facility for status holders to be introduced to enable them to plan for their imports of raw material and components on an annual basis and take advantage of bulk purchases.

   c. The Input-Output norms for status holders to be fixed on priority basis within a period of 60 days.
d. Status holders in STPI shall be permitted free movement of professional equipments like laptop/computer.

4. Hardware/Software

a. To give a boost to electronic hardware industry, supplies of all 121 ITA-1 items from EHTP units to DTA shall qualify for fulfillment of export obligation.

b. To promote growth of exports in embedded software, hardware shall be admissible for duty free import for testing and development purposes. Hardware upto a value of US$ 10,000 shall be allowed to be disposed off subject to STPI certification.

c. 100% depreciation to be available over a period of 3 years to computer and computer peripherals for units in EOU/EHTP/STP/SEZ.

5. Gem & Jewellery Sector


b. Nominated agencies to accept payment in dollars for cost of import of precious metals from EEFC account of exporter.

c. Gem & Jewellery units in SEZ and EOUs can receive precious metal i.e. gold/silver/platinum prior to exports or post exports equivalent to value of jewellery exported. This means that they can bring export proceeds in kind against the present provision of bringing in cash only.

6. Export Clusters

a. Upgradation of infrastructure in existing clusters/industrial locations under the Department of Industrial Policy & Promotion (DIPP) scheme to increase overall competitiveness of the export clusters.

b. Supplemental efforts to be made under the ASIDE scheme and similar schemes of other Ministries to bridge technology and productivity gaps in identified clusters.

c. 10 such clusters with high growth potential to be reinvigorated based on a participatory approach.

7. Rehabilitation of Sick Units

For revival of sick units, extension of export obligation period to be allowed to such units based on BIFR rehabilitation schemes. This facility shall also be available to units outside the purview of BIFR but operating under the State rehabilitation programme.
8. **Removal of Quantitative Restrictions**
   a. Import of 69 items covering animal products, vegetables and spices, antibiotics and films removed from restricted list.
   b. Export of 5 items namely paddy except basmati, cotton linters, rare earth, silk cocoons, family planning devices except condoms removed from restricted list.

9. **Special Economic Zones Scheme**
   a. Sales from Domestic Tariff Area (DTA) to SEZs to be treated as export. This would now entitle domestic suppliers to Drawback/ DEPB benefits, CST exemption and Service Tax exemption.
   b. Agriculture/Horticulture processing SEZ units will now be allowed to provide inputs and equipments to contract farmers in DTA to promote production of goods as per the requirement of importing countries. This is expected to integrate the production and processing and help in promoting SEZs specialising in agro exports.
   c. Foreign bound passengers will now be allowed to take goods from SEZs to promote trade, tourism and exports.
   d. Domestic sales by SEZ units will now be exempt from SAD.
   e. Restriction of one year period for remittance of export proceeds removed for SEZ units.
   f. Netting of export permitted for SEZ unit provided it is between same exporter and importer over a period of 12 months.
   g. SEZ units permitted to take jobwork abroad and exports goods from there only.
   h. SEZ units can capitalise import payables.
   i. Wastage for subcontracting/exchange by gem and jewellery units in transactions between SEZ and DTA will now be allowed.
   j. Export/import of all products through post parcel/courier by SEZ units will now be allowed.
   k. The value of capital goods imported by SEZ units will now be amortised uniformly over 10 years.
   l. SEZ units will now be allowed to sell all products including gems and jewellery through exhibitions and duty free shops or shops set up abroad.
   m. Goods required for operation and maintenance of SEZ units will now be allowed duty free.
10. EOU Scheme

a. Agriculture/Horticulture processing EOUs will now be allowed to provide inputs and equipments to contract farmers in DTA to promote production of goods as per the requirement of importing countries. This is expected to integrate the production and processing and help in promoting agro exports.

b. EOUs are now required to be only net positive foreign exchange earner and there will now be no export performance requirement.

c. Foreign bound passengers will now be allowed to take goods from EOUs to promote trade, tourism and exports.

d. The value of capital goods imported by EOUs will now be amortized uniformly over 10 years.

e. Period of utilisation of raw materials prescribed for EOUs increased from 1 year to 3 years.

f. Gems and jewellery EOUs are now being permitted sub-contracting in DTA.

g. Wastage for subcontracting/exchange by gem and jewellery units in transactions between EOUs and DTA will now be allowed as per norms.

h. Export/import of all products through post parcel/courier by EOUs will now be allowed.

i. EOUs will now be allowed to sell all products including gems and jewellery through exhibitions and duty free shops or shops set up abroad

j. Gems and jewellery EOUs will now be entitled to advance domestic sales.

11. EPCG scheme

a. The scheme shall now allow import of capital goods for pre-production and post-production facilities also.

b. The Export Obligation under the scheme shall now be linked to the duty saved and shall be 8 times the duty saved.

c. To facilitate upgradation of existing plant and machinery, import of spares shall also be allowed under the scheme.

d. To promote higher value addition in exports, the existing condition of imposing an additional Export Obligation of 50% for products in the higher product chain to be done away with.
e. Greater flexibility for fulfillment of export obligation under the scheme by allowing
export of any other product manufactured by the exporter. This shall take care of the
dynamics of international market.

f. Capital goods up to 10 years old shall also be allowed under the scheme.

g. To facilitate diversification into the software sector, existing manufacturer exporters will
be allowed to fulfill export obligation arising out of import of capital goods under the
scheme for setting up of software units through export of manufactured goods of the
same company.

h. Royalty payments received from abroad and testing charges received in free foreign
exchange to be counted for discharge of export obligation under EPCG scheme.

12. DEPB Scheme

a. Facility for provisional DEPB rate introduced to encourage diversification and promote
export of new products.

b. DEPB rates rationalised in line with general reduction in Customs duty.

13. Advance Licence

a. Standard Input Output Norms for 403 new products notified.

b. Anti-dumping and safeguard duty exemption to advance licence for deemed exports for
supplies to EOU/SEZ/EHTP/STP.

14. DFRC Scheme

a. Duty Free Replenishment Certificate scheme extended to deemed exports to provide a
boost to domestic manufacturer.

b. Value addition under DFRC scheme reduced from 33% to 25%.

15. Reduction of Transaction Cost

a. High priority being accorded to the EDI implementation programme covering all major
community partners in order to minimise transaction cost, time and discretion. We are
now gearing ourselves to provide on line approvals to exporters where exports have been
effected from 23 EDI ports.

b. Online issuance of Importer-Exporter Code(IEC) number by linking the DGFT EDI
network with the Income Tax PAN database is under progress.

c. Applications filed electronically (through our website www.nic.in/ eximpol) shall have a
50% lower processing fee as compared to manual applications.
16. Miscellaneous

a. Actual user condition for import of second hand capital goods upto 10 years old dispensed with.

b. Reduction in penal interest rate from 24% to 15% for all old cases of default under Exim Policy.

c. Restriction on export of warranty spares removed.

d. IEC holder to furnish online return of imports/exports made on yearly basis.

c. Export of free of cost goods for export promotion @ 2% of average annual exports in preceding three years subject to ceiling of Rs.5 lakh permitted.