



CHEMEXCIL's Submission for "Board of Trade" Meeting of 20th June 2017

Agenda:

Mid-term review of Foreign Trade Policy, 2015-2020 & re-aligning of FTP schemes in line with rollout of GST

1. Status of Export Incentives under GSP Framework/ Re-alignment of Schemes

Presently under FTP, export incentives can be broadly classified into:

- **Duty Exemption Schemes (e.g. advance authorization, EPCG etc)**
- **Promotional Measures (MEIS, SEIS)**

The incentives under these schemes are mostly by way of exemptions with parallel notifications under relevant legislations (customs and excise).

UNDER GST FRAMEWORK:

- **Advance Authorisation:** Only basic customs duty will be exempted on imports made under Advance Authorisation. **IGST will have to be paid on imports, which will block funds of exporters as refund will be available only after exports.**
- **MEIS:** MEIS will be used only for payment of basic customs duty there by reducing utilization and attractiveness, as currently Chapter 3 schemes are freely transferable and usable for payment of custom duty, excise duty and service tax. **In case GST be allowed to be debited in duty credit scrips such as Merchandise Exports from India Scheme (MEIS) that will be helpful and improve cash flows.**

Our Request:

In view of above, there is need to re-align the incentives, so exporters fund flows are not impacted. Drawback should also be increased as it was reduced to just 1.5% without any corresponding reduction in BCD. Trades concerns need to be addressed in the upcoming review of FTP by re-aligning the schemes.



2. Request for continued Incentives Support To Overcome Trade Barriers In Overseas Markets:

Support is needed from government as exporters are facing following barriers in overseas markets which is impacting their competitiveness:

- **Partial GSP benefit by EU:** - Non availability of GSP benefit by EU on organic & inorganic chemicals which makes Indian exports un-competitive due to incidence of full duty on organic and inorganic chemicals.
- India has FTA with ASEAN nations, but the concessions are only limited. **Whereas supplies from China to these ASEAN nations is against NIL duty which impacts competitiveness.**
- There is a **VAT of 13 to 17 % on Indian exports to China** which is a major hindrance.
- **OFAC sanctions negating efforts to drive exports**
- **Brazil-** as import duties on fatty alcohols increased sharply from 2% to 14%.
- Export tax imposed by **Indonesia and Malaysia** on the raw materials making Indian Oleochemicals non-competitive due to increased input costs.
- 'REACH' is a major trade barrier, exporters need financial support on REACH which is presently very much insufficient since government is offering only 50% on ECHA fees whereas, major cost is the expenses incurred for data access. Exporter should be compensated adequately to remain competitive in EU.



Our Request:

*To overcome the above external barriers while exporting to the impacted markets, **incentives be sufficiently increased even under GST framework**, which will improve competitiveness of the exporters and boost exports from India.*

3. Expansion Of Interest Equalization Scheme by Including more tariff Lines for Non-MSME's & cover Merchant Exporters

For Non-MSME exports, scheme is restricted to only 416 tariff lines (at ITC HS code of 4 digit). In-fact, in chemicals its only 10 on tariff lines.

Besides, the scheme is not be available to merchant exporters many of whom are our member-exporters.

Our Request:

Export sector should be treated as priority sector which obliges banks to lend a specified share to the sector at cheaper rates which will improve competitiveness of the exporters.

Regarding interest expansion of interest equalisation scheme, the Council has sent representation to the MOC&I for inclusions of more tariff lines and also access of this scheme to merchant exporters which will be helpful.

We request inclusion of more tariff lines and also access of this scheme to merchant exporters which will improve the competitiveness of the exporters.

4. Import of technical pesticides:

Import of technical pesticides is restricted only to approved sources which is a hindrance. This greatly restricts the production capabilities of Indian End product



Manufacturers as they are bound to use only those materials that are available in India or imported via approved sources.

Our request is to allow free import of active ingredients (without the need for registration) under advance authorization scheme. This will boost exports.

5. Solution for Persistent Technical Difficulties Related to DGFT Server/ Icegate/ BRC

Exporters are regularly facing issues on account of non reflecting shipping bill, delays in online EODC, MEIS application, uploading of eBRC by Banks etc. As a result exporters are unable to avail the incentives or close licenses. Email reminders or phone calls to ICEGATE/ DGFT EDI/ NIC sections are seldom replied.

Our Request:

The existing system is not working due to lack of responses and delays in resolution of query. There is a need to have dedicated EDI/ ICEGATE/ NIC personnel who are available to interact with the exporters and help them.

6. Caution Listing Of Exporters:

RBI is periodically issuing caution list of all exporters preventing them from doing normal banking transactions namely handling of import-export bills, disbursement of pre and post shipment credits, booking of foreign exchange etc.

The exporters which are having good track record of realization of foreign exchange also being caution listed due to the problem related to uploading in the EDI system of AD and RBI under EDPMS. It is suggested that exporters who are having good track record should not be put under caution listing and subject to unnecessary scrutiny.



7. Environment Related Controls

It seems that the process for obtaining “No Increase in Pollution Load” certificate / permission from the State Pollution Control Board”, the procedure in principle remain unaltered seeking prior environmental clearance for expansion with increase in the production capacity. The notification has not made any impact on ground reality and units are subject to same scrutiny as usual.

Our suggestion is that well established manufacturing unit with good track record and ISO accredited certified 14001:2015 should be exempted from such lengthy procedure of environmental clearance and only intimation to SPCB should suffice

Other issues like closure of units, installation of online monitoring system, waste disposal etc are already highlighted to the Ministry and await resolution.

8. Business with Countries on OFAC List

OFAC sanctions are a major hindrance to exports. This restricts Indian exporters from doing business with these countries even though some of these countries are in MEIS list.

We can have some arrangements with banks to transact in INR with these countries **like the Iran Rupee Payment mechanism which will also continuation of business.**



OTHER SUGGESTIONS FOR SIMPLIFICATION OF PROCESS / REDUCTION IN TRANSACTION COST

1. Prompt/ Timely fixation of Norms of Chemical sector.

Council has been following up with DGFT on various long-pending cases of Norms fixation. Due to such delays exporters are not able to redeem the authorisations. They risk being included in DEL and also have to give BG in customs for clearance which impacts cash flows. **Norms cases of chemicals sector be disposed of speedily within reasonable time frame which will be a big help to exporters.** Further to ease the timelines, **DGFT RA's can be delegated to finalise Ad-hoc norms.**

2. Timelines for uploading of S/B's on DGFT server for MEIS

Transmission of shipping bills by Customs to DGFT server, takes a long time. Exporters have to follow up for getting these activities done, especially for Hazira Port and Petropol customs. This delays the application of MEIS and affects working capital.

3. Other Suggestions for Ease of Doing business for saving time and reducing transaction costs

For ease of doing business, following are requested:

- **Advance authorisation / EODC from DGFT:** Currently collected personally from DGFT. Needs to be On Line
- **Advance authorisation application:** To eliminate submission of hard copies to DGFT.
- **MEIS:** To eliminate submission of hard copies to DGFT. **MEIS can also be issued in digital form**



- **Registration of Licences:** Physical Registration of Advance authorisation for Imports and MEIS in the respective Ports to be eliminated.
- **RA To Issue of Advance release order (ARO) On Line**
- **RA To issue revalidation On Line**
- **To eliminate physical submission of CA certificates.**
- To eliminate **physical submission of documents for Clubbing of advance authorisation** under similar customs notification.
- **Brand rate:** Brand rate application and settlement needs to be taken On Line.

Above steps in line with ease of doing business will reduce paper work, save time and reduce transaction costs.