Lecture Meet on

Export Promotion Scheme – MEIS & SEIS

Conducted by
Pune Branch of Institute of Chartered Accountant of India (ICAI)

Presented by
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About Foreign Trade Policy 2015-20

- After Every Five Year government comes with its Foreign Trade Policies giving details of various benefit available to Exporter and Importer

- Foreign Trade Policy 2015-20 (FTP 2015-20) is announced by Hon’ble Minister of Commerce & Industry Mrs. Nirmala Sitharam on 1st April 2015.

- FTP 2015-20 provides framework for:
  - Increasing the Exports of Goods & Services
  - Generation of Employment
  - Increasing value addition in the country
  - Support & Boost important initiative of Government - “Make in India, Digital India and Skill India”
  - Improving Ease of doing Business
About MEIS & SEIS

In order to increase Export of Goods & Services from India, FTP 2015-20, introduced two new Export Promotion Schemes:

- Merchandise Exports from India Scheme (MEIS): For promoting Export of notified goods to specified markets and
- Service Exports from India Scheme (SEIS): For increasing Exports of notified services.

Earlier in FTP 2009-14,

- There were 5 different Export Promotion Schemes for promoting exports of Goods, which is now merged into Merchandise Exports from India Scheme (MEIS)
- Served from India Scheme is replaced with Service Exports from India Scheme (SEIS) for Promoting Export of Services.

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About MEIS & SEIS

MEIS:
- Focus Product Scheme
- Focus Market Scheme
- Market Linked Focus Product Scheme
- Agriculture Infrastructure Incentive Scrip
- Vishesh Krishi and Gram Udyog Yojana

SEIS:
- Served From India Scheme

Merchandise Exports from India Scheme (MEIS)

Service Exports from India Scheme (SEIS)

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**About MEIS & SEIS**

- **Objective of Schemes:** Incentives under MEIS & SEIS is provided with object to
  - To provide rewards to exporters, so as to offset infrastructural inefficiencies and associated costs involved
  - To provide exporters a level playing field.
  - To increase Export of Goods & Services

- **Applicability:** Benefit under MEIS & SEIS is applicable for Exports undertaken from 1\textsuperscript{st} April 2015 is to be considered.

- **Nature of Reward:** Rewards under MEIS & SEIS will be provided in the form of Duty Credit Scrip. Duty credit scrip can be used for payment of duties on goods procured domestically/imported. Duty Credit Scrip is freely transferable. Therefore if Exporter is not in position to use the Duty Credit Scrip, he can sold the same in open market.
About MEIS & SEIS

- **Usage of Duty Credit Scrip:** Duty Credit Scrip under MEIS & SEIS can be used for
  - Payment of Customs Duties for import of inputs or Capital goods, except items listed in Appendix 3A.
  - Payment of excise duties on domestic procurement of inputs or goods, including capital goods as per DoR notification.
  - Payment of service tax on procurement of services as per DoR notification.
  - Payment of Customs Duty and fee as per paragraph 3.18 of this Policy.
  - Procurement of Goods from Private/Public Bonded warehouse

- **Validity of Duty Credit Scrip:** Duty Credit Scrip under MEIS & SEIS will be valid for 18 months from the date of issue and must be valid on the date on which actual Debit of duty is made.

- **Other Payment Mode:** Free Foreign Exchange earned through international credit cards and other instruments, as permitted by RBI shall also be taken into account for computation of value of exports
About MEIS & SEIS

- **Risk Management System:**
  - As per Risk management system designed by DGFT, every month on random basis 10% of cases of each office where scrip under MEIS/SEIS is issued will be selected.
  - DGFT then will call for information/original documents in all such cases for further detailed examination
  - If there is failure to documents called for, exporter shall be liable to refund the reward granted along with interest.
  - If it is found by DGFT after scrutiny of documents that there is any Discrepancy or Excess/over claim is given, then exporter should correct such discrepancy or refund over claim amount
  - All this procedure will be time bond and need to be complied strictly.
Merchandise Exports from India Scheme (MEIS)
Merchandise Exports from India Scheme (MEIS)

- **Benefit of MEIS is eligible to:**
  - Export of Notified Goods and
  - Export to Notified Market of such goods.

- **Appendix 3B of Foreign Trade Policy 2015-20** gives list of Notified Goods, Specified Market & rate of reward on such goods.

- **Calculation of Reward:** The basis of calculation of reward would be on:
  - Realised FOB value of exports in free foreign exchange OR;
  - FOB value of exports as given in the Shipping Bills in free foreign exchange.
  
  Whichever is LESS
Merchandise Exports from India Scheme (MEIS)

Example:
- During F.Y. 15-16 SMM Pvt Ltd has made Exports of “Safety Valves” coming under Chapter Heading 8481.
- Country of Export – USA & UK
- Realised FOB value of exports in free foreign exchange : Rs 50 Crore
- FOB value of exports as given in the Shipping Bills in free foreign exchange (Covered in Rs.): Rs 55 Crore

Answer:
- As per Appendix 3B of Foreign Trade Policy 2015-20, reward for Export of Safety Valves to USA & UK is 3%
- The basis of calculation of reward would be on, Realised FOB value of exports in free foreign exchange or FOB value of exports as given in the Shipping Bills in free foreign exchange whichever is LESS. Therefore in situation under consideration, it would be Rs 50 Crore
- Therefore MEIS Reward available to SMM Pvt Ltd for F.Y. 15-16 would be 1.5 Crores (Rs 50 Cr * 3%)
Merchandise Exports from India Scheme (MEIS)

- **Ineligible categories under MEIS:**
  
  1) EOUs / EHTPs / BTPs/ STPs who are availing direct tax benefits; Supplies made from DTA units to SEZ, Deemed Exports, Exports made by units in FTWZ; SEZ/EOU/EHTP/BPT/FTWZ products exported through DTA units.

  2) Export of imported goods covered under paragraph 2.46 of FTP; Goods which are restricted or prohibited for export.

  3) Exports through trans-shipment, Export products which are subject to Minimum export price or export duty.

  4) Diamond Gold, Silver, Platinum, other precious metal in any form including plain and studded jewellery and other precious and semi-precious stones.

  5) Products wherein precious metal/diamond are used or Articles which are studded with precious stones.

  6) Ores and concentrates of all types and in all formations, Red sanders and beach sand.

  7) Crude / petroleum oil and crude / primary and base products of all types and all formulations.

  8) Cereals of all types, Sugar of all types and all forms, Export of milk and milk products, Export of Meat and Meat Products.
Merchandise Exports from India Scheme (MEIS)

- **Cenvat Credit/Drawback:** Cenvat Credit is available of ACD, BED, Service Tax paid through Duty Credit Script. Also drawback of the same claimed as per DOR Rules including drawback of BCD.

- **Import under Lease Finance:** Utilization of Duty Credit Scrip shall be permitted for payment of duty in case of import of capital goods under lease financing

- **Benefit on Exports made upto 31.03.15:** For Exports made upto 31st March 2015, provisions of Foreign Trade Policy 2009 – 14 will be applicable.

- **Benefit to Supporting Manufacturer:** Supporting manufacturer can also claim rewards under MEIS subject to condition that he obtain Disclaimer Certificate from the company / firm who has realized the foreign exchange directly from overseas.

- **E-Commerce:** MEIS Benefit is also available to Export of goods through courier or foreign post offices using E-Commerce, of goods notified in Appendix 3C. MEIS reward in such case is available on FOB value upto Rs. 25000 per consignment
Merchandise Exports from India Scheme (MEIS)

Procedure for getting MEIS:

- All Export Documents should contain declaration that “We intend to claim rewards under Merchandise Exports From India Scheme (MEIS)”.

- Online application is to be filed in Form ANF 3A along with requisite documents. For Export of goods through courier or Foreign Post office using E-Commerce, application is to be filed in Form ANF 3D.
Merchandise Exports from India Scheme (MEIS)

- **Procedure post facto getting Duty Credit Scrip:** Duty credit scrip needs to be registered at the port of exports. This is to be done prior to allowing usage of duty credit. Once registered at EDI port, scrip can be automatically used at any EDI port for import and at any manual port.

- **Records to be maintained:** The documents which are not required to be submitted in original, shall be retained by the applicant for a period of 3 years from the date of issuance of scrip.

- **Facility for Split Scrip:** On request, Duty Credit Scrip can be requested in Split with minimum value of Rs 5 lakhs each and multiple thereof.
Merchandise Exports from India Scheme (MEIS)

- **Last date for filing application for Duty Credit Scrip**: Last date for filing application for obtaining Duty Credit Scrip under MEIS shall be *Later of*:
  1) Twelve months from the Let Export Order date OR
  2) Three months from the date of:
     a) Uploading of EDI shipping bills onto the DGFT server by Customs
     b) Printing/ release of shipping bills for Non EDI shipping bills.

- **Application with Late Cuts**: If application is submitted after last date, it may be considered after imposing late cuts in the following manner:

<table>
<thead>
<tr>
<th>Application Submitted</th>
<th>Late Cut</th>
</tr>
</thead>
<tbody>
<tr>
<td>after last date but within 6 months from Last date</td>
<td>2%</td>
</tr>
<tr>
<td>after 6 months from Last date but within 12 months from last date</td>
<td>5%</td>
</tr>
<tr>
<td>after 12 months from Last date but within 24 months from last date</td>
<td>10%</td>
</tr>
</tbody>
</table>
Re-export of defective/unfit goods:

- Goods imported which are found defective or unfit for use, may be re-exported, as per DoR guidelines.
- Where Duty Credit Scrip has been used for imports, Customs shall issue a certificate containing particulars of Scrip used, date of import of re-exported goods and amount debited while importing such goods.
- Based on this certificate, upon application, a fresh Scrip shall be issued to extent of 98% of debited amount, with same port of registration and valid for a period equivalent to balance period available on date of import of the defective / unfit goods.
Service Exports from India Scheme (SEIS)
Service Exports from India Scheme (SEIS)

**Benefit of SEIS is eligible to:**

- Export of Notified Services and
- Service provider is located in India.
- Service is to be provided from India to any other country or to consumer of any other country
- Service provider should have active IEC Code at the time of rendering of services
- Service provider should have minimum net free foreign exchange earnings of US$15,000 in preceding financial year. For Individual Service Providers/Sole proprietorship, such minimum net free foreign exchange earnings criteria would be US$10,000 in preceding financial year.

<table>
<thead>
<tr>
<th>Net Foreign Exchange=</th>
<th>Gross Earning of Foreign Exchange - Total Payment/Expenses in Foreign Exchange</th>
</tr>
</thead>
</table>

(Note: If exporter is a manufacturer of goods as well as service provider, then the foreign exchange earnings and Total expenses / payment shall be taken into account for service sector only.)

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Service Exports from India Scheme (SEIS)

- **Ineligible Category under SEIS:**
  - Export Turnover of units operating under STPI/SEZ/EOU/EHTP/BTP schemes or supplies made to such units
  - Equity or dept partification, donations, receipt of repayment of load
  - Foreign Exchange Remittance relating to Financial Service Sector: Raising of Foreign Curreny loan, Export proceeds realization of clients; Issuance of Foreign Equity through ADRs / GDRs or other similar instruments; Issuance of foreign currency Bonds; Sale of securities and other financial instruments; Other receivables not connected with services rendered by financial institutions
  - Foreign Exchange earned from Contract/Regular Employment abroad
  - Payments for services received from EEFC Account
  - Foreign exchange turnover by Healthcare Institutions and Educational Institution from equity participation, donations etc.
  - Foreign Exchange earnings for services provided by Airlines, Shipping lines service providers plying from any foreign country X to any foreign country Y routes not touching India at all.
  - Service providers in Telecom Sector.
  - Exports of Goods.

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Service Exports from India Scheme (SEIS)

- **Appendix 3D of Foreign Trade Policy 2015-20** gives list of Notified Services & rate of reward on such services.

- **Calculation of Reward:** The reward under SEIS will be calculated at rate notified in Appendix 3D of Foreign Trade Policy 2015-20 and on Net Foreign Exchange Earned.

- **Payment in INR:** Payment in Indian Rupees for service charges earned on specified services, shall be treated as receipt in deemed foreign exchange as per guidelines of Reserve Bank of India. The list of such services is indicated in Appendix 3E

- **Procedure for getting SEIS:**
  - Online Application is to be filed in Form ANF 3B
  - Application should be enclosed with CA/CS/CWA Certificate in the form specified
Service Exports from India Scheme (SEIS)

- **Procedure post facto getting Duty Credit Scrip:** Duty credit scrip needs to be registered at the port of exports as per choice of exporter which is mentioned in application. This is to be done prior to allowing usage of duty credit. Once registered at EDI port, scrip can be automatically used at any EDI port for import and at any manual port.

- **Last date for filing application for Duty Credit Scrip:** Last date for filing application for obtaining Duty Credit Scrip under SEIS shall be 12 months from the end of financial year of claim period.

- **Application with Late Cuts:** If application is submitted after last date, it may be considered after imposing late cuts in the following manner:

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Service Exports from India Scheme (SEIS)

- **Example:**
  - SMM Pvt Ltd provides services of Technical Testing & Analysis Services.
  - During F.Y. 2015-16, Gross earning in foreign exchange from providing services is $2 Million (INR Rs 12 Crore) from USA and $1.5 Million (INR Rs 9 Crore) from Nepal & Bhutan. Payment made in foreign currency on services received from abroad is $50,000 (INR 30 lakhs) and purchase of Capital Equipment of $1 million (INR 6 Crore).
  - Calculate eligibility of SEIS Scheme to SMM Pvt Ltd.
  - During F.Y. 14-15, Net Foreign Exchange Earning was $2.5 Million.

- **Answer:**
  - As per Appendix 3D of Foreign Trade Policy 2015-20, reward for export of Technical Testing & Analysis Services is 3%.
  - SEIS is available on Notified Export of Services to ALL Countries.
  - SMM is satisfying condition of minimum earning in Foreign Currency in previous year.
  - Therefore SEIS Reward available to SMM Pvt Ltd for F.Y. 15-16 would be Rs 63 Lakhs (Rs 21 Cr * 3%).

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How to use Scrip for procuring Goods/Services, without payment of Excise/Service Tax/Custom Duty
Opportunity to Chartered Accounts
Opportunity to CA

- **Advice to Exporter of Goods/Services to opt this benefit:** Chartered Accountant are normally engaged in providing services w.r.t Taxation and Accounting where from client perspective there is always outflow of money. However if given an advice to avail such kind of benefits of MEIS/SEIS, will make client to prosper and thereby CA can earn handsome returns for their services.

- **Certification work:** Also certificate work is required for SEIS which can be done by CA.

- **SEIS Benefit to CA:** Apart from this, CA who are providing below services to outside India and earning the foreign currency, can get benefits of SEIS Scheme:
  - Accounting, auditing & Book keeping Services
  - Taxation Services, Legal Services
  - Management Consulting Services
Thank You.

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