

## CHAPTER-4 DUTY EXEMPTION/REMISSION SCHEME

<b>Policy</b>	4.1	The policy relating to the Duty Exemption/Remission Scheme is prescribed in Chapter 4 of the Policy.
<b>General provision</b>	4.2	An application for grant of an Advance Licence/DFRC/DEPB may be made by the Registered office or Head office or a branch office or manufacturing unit of the eligible exporter, to the licensing authority concerned.
	4.3	Where the applicant is the branch office or manufacturing unit(s) of an exporter, it shall furnish (a) Self certified copy of valid RCMC where the name of the branch office or manufacturing unit is given and (b) an authority letter from the Registered Office of a Company or Head Office of a firm, clearly indicating that Registered/Head Office or its branches and manufacturing unit(s) have not been declared defaulter or otherwise made ineligible for import/ export under any of the provisions of the Policy. However, this declaration shall not be required for those filing applications electronically.
<b>Advance Licence</b>	4.4	Where the SION have been published, an application in Appendix-10B, along with documents prescribed therein, shall be submitted to the licensing authority concerned.
	4.4.1	In case of export of gold/silver/platinum jewellery and articles thereof, the quantity, wastage and the value addition norms shall be as prescribed in Chapter-4 of the Policy and this chapter.
	4.4.2	<p>In case where norms have not been published, an application in Appendix-10B (with Annexure-I), along with prescribed documents, shall be furnished to ALC for fixation of Norms. In such cases, the original copy of the application along with prescribed fee shall be filed with the Regional Licensing Authority concerned and a self attested copy of the same shall be filed with ALC. The Licenses in such cases shall be issued by the RLA on the basis of recommendation of ALC.</p> <p>The Committee shall also function as a recommendatory authority for SION. The Director General of Foreign Trade may notify such norms as recommended by the ALC.</p>
	4.4.3	<p>Applications, where Acetic Anhydride, Ephedrine and Pseudo-ephedrine is required as an input for import, either in such cases where norms are fixed or in such cases where norms are not fixed, shall be filed with the regional licensing authorities concerned.</p> <p>Copies of such applications shall also be simultaneously endorsed to the Drug Controller of India, Nirman Bhawan, New Delhi, Narcotics Commissioner, Central Bureau of Narcotics, Gwalior. and the respective Zonal Director of the Narcotics Control Bureau, along with a declaration that the applicant will maintain the prescribed records and also submit the prescribed returns.</p>
	4.4.4	The licensing authority, while issuing the advance licence for the import of Acetic Anhydride, Ephedrine and Pseudo-ephedrine, shall endorse a condition that before effecting imports, NOC shall be obtained from the Narcotics Commissioner of India, Central Bureau of Narcotics, Gwalior

		and shall also endorse a copy of the licence to the Drug Controller, NirmanBhawan, New Delhi and the concerned Zonal Director of the Narcotics Control Bureau.
<b>Advance Licence for free of cost and paid material</b>	4.5	In terms of paragraph 4.1.6 of the EXIM Policy, an exporter may apply for an Advance Licence for import of items mentioned in paragraph 4.1.1 of the Policy some of which may also include items that are supplied free of cost.
		In such cases, a specific endorsement shall be made on the exchange control copy of the Advance Licence disallowing remittances for the material being supplied free of cost. All inputs imported shall be utilised in the manufacturing of the product except the wastage.
<b>Newcomers</b>	4.6	In the case of newcomers, who have not exported in each of the preceding three licensing years, the Advance Licence shall be issued subject to furnishing 100% BG to Customs authority to cover exemption from Customs duty together with 15% interest. Specific endorsement to this effect shall be made in the licence by the licensing authority.
<b>Self Declared Licences where SION do not exist</b>	4.7	The licensing authority may also issue Advance licences, where SION are not fixed, based on self declaration and an undertaking by the applicant for a final adjustment as per Adhoc/SION fixed by ALC. However, no Advance Licence for import of horn, hoof and other organ of animal, or for any item for which DGFT may so notify, shall be issued under paragraph 4.7 by the licensing authority.
<b>Entitlement</b>	4.7.1	The CIF value of one or more such licences shall be Rs.50 lakhs or 100% of the FOB and/or F.O.R value of preceding year exports/supply, whichever is more. However Export House/ Trading House/Star Trading House/Super Star Trading House can claim one or more such licences upto 200% of the FOB value of preceding year exports.
		The new comers shall also be entitled for licenses in this category upto their entitlement or for a CIF value not exceeding Rs.50 lakhs, whichever is more, subject to furnishing of 100% Bank Guarantee to Customs authority to cover the exemption from Customs duties together with 15% interest. A specific endorsement to this effect shall be made on the licence.
	4.7.2	Once the norms are fixed by ALC, the value limits mentioned in sub paragraph 4.7.1, above would not be applicable to advance licences issued under this paragraph. Such licences, subsequent to fixation of norms by ALC, may be enhanced to a value originally applied for or as decided by the competent authority.
<b>Licence in excess of entitlement</b>	4.7.3	An applicant including a newcomer shall be entitled for licence under this paragraph in excess of entitlement mentioned in paragraph 4.7.1 subject to furnishing of 100% Bank Guarantee to Customs authority to cover the exemption from Customs duties. A specific endorsement to this effect shall be made on the licence.
	4.7.4	The original application with prescribed documents shall be submitted to the concerned Regional Licensing Authority. The licensing authority shall forward a copy of the application within 7 days from the date of issue of such licences to ALC for fixation of norms within the prescribed time.
	4.7.5	The applicant shall give an undertaking that he shall abide by the norms fixed by ALC and accordingly pay duty, together

with 15% interest, on the unutilised inputs as per norms fixed by ALC.

- 4.7.6 In such cases, where the norms are not finalised by ALC within six months from the date of issuance of licence, the norms as applied for shall be treated as final and no adjustment will be made. However, where the application for fixation of adhoc/SION is rejected on account of non-furnishing of required documents/ information, the licence holder shall be liable for penalty as stated in the above paragraph. In such cases where the export obligation is completed pending fixation of norms by ALC, the entitlement for the licence as given in paragraph 4.7.1 may be re-credited upon production of documentary evidence showing fulfillment of export obligation and realisation of foreign exchange in respect of the previous licenses. However, bond waiver/ redemption shall not be allowed pending fixation of norms in such cases.

**Financial Powers** 4.8 The financial powers of the licensing authorities and ALC are given in the table below:

Category of Application	<i>On published norms and under paragraph- 4.7 of this Handbook</i>	
	CIF Value upto Rs.50 Crore	CIF value above Rs.50 crore
Issuing Authority for Advance License	Regional Licensing Authority	Regional Licensing Authorities on the recommendation of ALC.

**Standardisation of Adhoc Norms** 4.9 For standardisation of norms, an application may be made by the manufacturer exporter or merchant-exporter, tied to supporting manufacturer, duly filled in with complete data. Such applications shall be made to the Advance Licensing Committee (ALC) in the form given in Appendix-10.

Import of fuel may also be allowed under SION by ALC subject to the following: -

- The facility of import of fuel under SION shall be allowed only to the manufacturer having captive power plant.
- Fuel should be allowed only under SION and in no case should it be allowed either under paragraph 4.7 or under ad-hoc norms.
- Fuel should be allowed only against an actual user licence and therefore, fuel shall not be allowed for imports against DFRC, which is transferable in nature.
- Even where fuel is included as an input under SION, it shall not be taken into account while fixing the DEPB rate for such products against which fuel has been allowed as an input.

**Modification of SION** 4.10 An application for modification of existing SION may be filed by manufacturer exporter or merchant-exporter, tied to supporting manufacturer, in the form given in Appendix-10 to the ALC.

<b>Description of an Advance Licence</b>	4.11	<p>An Advance Licence shall specify:</p> <ul style="list-style-type: none"> <li>(a) the names and description of items to be imported and exported/supplied;</li> <li>(b) the quantity of each item to be imported or wherever the quantity cannot be indicated, the value of the item shall be indicated. However, if in Standard input output norms, the quantity and value of individual inputs is a limiting factor, the same shall be applicable.</li> <li>(c) the aggregate CIF value of imports; and</li> <li>(d) the FOB/ FOR value and quantity of exports/ supplies.</li> </ul>
<b>Exports in Anticipation of Licence</b>	4.12	<p>Exports/supplies made from the date of receipt of an application for an Advance Licence by the licensing authority, may be accepted towards discharge of export obligation. If the application is approved, the licence shall be issued based on the input/output norms in force on the date of receipt of the application by the licensing authority in proportion to the provisional exports/ supplies already made till any amendment in the norms is notified. For the remaining exports, the Policy/ Procedures in force on the date of issue of the licence shall be applicable.</p>
	4.12.1	<p>The exports/supplies made in anticipation of the grant of an Advance Licence shall be entirely on the risk and responsibility of the exporter.</p>
	4.12.2	<p>The conversion of duty free shipping bills to drawback shipping bills may also be permitted by the customs authorities in case the application for an Advance Licence is rejected or modified by the licensing authority.</p>
<b>Note:</b>		<p>Advance Licence, unless otherwise stated, means Advance Licence for Physical Exports/ Intermediate Supply/ Deemed Exports.</p>
<b>Advance Licence for Intermediate Supplies</b>	4.13	<p>The application for grant of Advance License for Intermediate supply may be made on the basis of a tie-up agreement with the exporter holding an Advance license for physical exports/deemed exports. Such requests shall be considered by the licensing authority concerned. The Advance License for Intermediate supply shall be issued after making the licence invalid for direct import of items to be supplied by the intermediate manufacturer. In such cases, a copy of the invalidation letter will be given to the licence holder and copy thereof will be sent to the intermediate supplier as well as the licensing authority of the intermediate supplier. The licensee in such case has an option either to supply the intermediate product to holder of Advance Licence for physical exports/deemed exports or to export directly. The facility of advance licence for intermediate supply shall be available even in cases where the intermediate supplier has supplied or intend to supply the material subsequent to fulfilment of export obligation by the ultimate exporter holding the Advance Licence.</p>
<b>Advance Release Order</b>	4.14	<p>An application may be made to the Regional Licensing Authority concerned for grant of Advance Release Order (ARO) to procure the inputs from indigenous sources/State Trading Enterprise/EOUs/EPZ/SEZ/EHTP/ STP units.</p>
	4.14.1	<p>The application shall specify (i) the name, description and quantity of the items and (ii) the individual value of items to be procured. An ARO may be issued along with the Advance Licence for Physical Exports/ Deemed Exports/DFRC or subsequently, and its validity shall be co-terminus with the validity of the Advance Licence for Physical Exports/ Deemed Exports. An ARO issued for the procurement of an individual item shall be automatically valid for procurement from one or more indigenous sources.</p>
<b>Back to Back Inland Letter of Credit (LC)</b>	4.15	<p>The exporter may alternatively avail the facility of a back to back inland letter of credit from the banks. An Advance Licence holder, except for an intermediate supply and DFRC holder, may approach a bank for opening an inland letter of credit (LC) in favour of an indigenous supplier.</p>

4.15.1 Before opening the LC, the bank will ensure that the necessary BG/LUT has been executed by the Advance Licence holder and an endorsement to that effect has been made on the licence. However, execution of BG/LUT shall not be required against DFRC. After opening the inland LC, the bank shall make the following endorsement on the Exchange Control and Customs copy of the Advance Licence for Physical Exports/ Deemed Exports/DFRC;

The value of this Advance Licence for Physical Exports/ Deemed Exports/ DFRC stands reduced by a sum of Rs. \_\_\_\_\_, being the value of the inland LC No. \_\_\_\_\_ opened today by the licensee in favour of M/s \_\_\_\_\_ (name and address of the indigenous supplier).

4.15.2 The licence shall be invalidated by the bank for direct import only in respect of the full quantity and value of the item being sourced indigenously.

4.15.3 The original Letter of credit (LC) may be retained by the bank for negotiation and only the non-negotiable copy of the LC may be given to the indigenous supplier.

4.15.4 The responsibility of the bank shall be confined to making the endorsement. The bank shall not be liable for any misrepresentation or false statement made by the licensee while requesting the bank to make the endorsement. The inland LC opened by the bank in favour of the indigenous supplier shall not be canceled for any reason whatsoever.

4.15.5 The non negotiable copy of inland LC together with the photocopy of the Advance Licence duly carrying endorsements made by the bank shall be sufficient for the indigenous supplier to claim deemed export benefits. LC issued against DFRC shall, however, be entitled only to benefit given in paragraph 8.3(b) of Policy, whereas LC for other categories shall be entitled to benefits given in paragraph 8.3 (b) and (c) of the Policy.

4.15.6 Where the import of gold/silver is permitted as an input under this scheme, such gold/silver can be sourced through the nominated agencies as given in Chapter-4 of the Policy for supply against the Advance Licences issued in this behalf. Before supply of the material, the nominated agencies should follow the same procedure as given in paragraph 4.13 above.

**Facility Of Supporting  
Manufacturers**

4.16 The licence holder has the option to have the material processed through any other manufacturer including a jobber. However, the licence holder shall be solely responsible for the imported items and fulfillment of export obligation.

**Facility Of  
Co-Licensee**

4.17 If the applicant desires to have the name of any manufacturer or jobber added to the licence, he may apply for such endorsement. Such endorsement shall be mandatory where prior import before export is a condition for Advance Licence for physical exports and the licence holder desires to have the material processed through any other manufacturer or jobber.  
Upon such endorsement made by the licensing

authority, the licence holder and co-licensees shall jointly and severally be liable for completion of export obligation. Any one of the co-licensees may import the goods in his name or in the joint names. The BG/LUT shall also be furnished in their joint names.

**Acceptance of BG/  
LUT** 4.18

At the time of issue of the licence, the acceptance of the undertaking given by the applicant to the licensing authority concerned in the form given in Appendix-10B will be endorsed on the reverse of the Advance Licence .

**Note :-** (a) No BG/LUT will be required where the specified export obligation has been fulfilled before making any import. In case of partial fulfillment of export obligation before effecting any imports, the BG/ LUT may be reduced proportionately. The licence holder shall also produce EP copy of the shipping bills and Bank Certificate of Export and Realisation, and a statement of exports giving details of shipping bill wise exports indicating the shipping bill number, date, FOB value as per shipping bill and description of export product substantiating the completion or the partial fulfillment of the export obligation to the licensing authority concerned.

(b) In respect of an advance licence on which "NoBG/LUT" facility has been provided, the licensing authority shall forward a copy of the No Bond Certificate indicating the shipping bill number, date, FOB value as per shipping bill and description of export product, in respect of shipment which were taken into account for calculating fulfilment of export obligation to the customs authorities with whom the licence is/required to be registered. Before allowing the imports against Advance Licence, the Customs shall verify that the details of the exports as given in the No Bond Certificate are as per their records.

**Port Of  
Registration**

**4.19**

The licence and the Advance Licence shall be issued for the purpose of import and export through one of the sea ports or airports or ICDS or LCS specified below. The licence holder shall register the licence, the port specified in the licence and thereafter all imports against the said licence shall be made only through that port, unless he obtains permission from the customs authority concerned to import through any other specified port. However, exports may be made through any of the specified ports.

*Sea Ports:* Mumbai, Kolkata, Cochin, Kakinada, Kandla, Mangalore, Marmagao, Chennai, Nhavasheva, Paradeep, Pipavav, Sikka, Tuticorin, Vishakhapatnam, Dahej, Nagapattinam, Okha, Mundhra and Surat (Magdalla),

*Air-ports* Ahmedabad, Bangalore, Bhubaneswar, Mumbai, Kolkata, Coimbatore, Air Cargo Complex, Cochin, Delhi, Hyderabad, Jaipur, Srinagar, Trivandrum, Varanasi, Nagpur and Chennai.

*ICDS:* Agra, Bangalore, Coimbatore, Delhi, Faridabad, Gauhati (Amingaon), Guntur, Hyderabad, Jaipur, Jalandhar, Kanpur, Ludhiana, Moradabad, Nagpur, Pimpri (Pune), Pitampur (Indore), Surat, Tirupur, Varanasi, Nasik, Rudrapur (Nainital), Dighi (Pune), Vadodara, Daulatabad, (Wanjarwadi and Maliwada), Waluj (Aurangabad), Anaparthi, Salem, Mallanpur, Singanalur, Jodhpur, Kota, Udaipur, Ahmedabad, Bhiwadi, Madurai, Bhilwara, Pondicherry and Garhi Harsaru.

*LCS* Ranaghat and Singhabad

**4.19.1** The Commissioner of Customs may, either by a public notice or on the written request of the licence holder, by a

special order and subject to such conditions as may be specified by him, also permit imports and exports from any seaport/airport/ICD or land custom station other than those mentioned above.

**4.19.2** In such cases, where the licence has not been registered at the port specified in the licence and no import has taken place, the request for change in the Port of Registration may be considered by the licensing authority concerned provided the licence has not been redeemed.

**4.19.3** For imports from the Airport/Seaport/ICD other than the port of registration, a Telegraphic Release Advice (TRA) shall also be issued by the customs authority at the port of registration to the customs authority at the port of import.

**Facility of Clubbing**

**4.20** The accountability of imports and exports shall be restricted in relation to the individual categories of advance licences issued under this scheme.

**4.20.1** The regional licensing authority, under whose jurisdiction the licence is issued or ALC in other cases, may also consider a request for clubbing all imports and exports of more than one Advance Licence (clubbing of all Advance Licence for physical exports or clubbing of all Advance Licence for Intermediate supplies or clubbing of all Advance Licence for deemed exports) provided the imported inputs are properly accounted for as per norms. The value addition of the licences so clubbed shall be the average of the value addition imposed on individual licences. Upon clubbing, the licences shall, for all purposes, be deemed to be one licence.

**4.20.2** The facility of clubbing shall be available only for redemption/regularisation of the cases and no further import or export shall be allowed. For this facility, licences are required to have been issued under similar Customs notification.

**4.20.3** In case an Advance Licence(s), where export obligation has already expired, is to be clubbed with an Advance Licence(s) where export obligation period is valid, the applicant shall pay the composition fee of 1% or 5%, as the case may be, prescribed for extension of export obligation in respect of Advance Licence(s) where export obligation period has expired.

**4.20.4** In such cases, the exports effected 30 months after the issuance of the expired licence shall not be considered for clubbing.

**Enhancement/  
Reduction In the  
Value of Licence**

**4.21** In respect of an Advance Licence, the licensing authority concerned (as per their financial powers) may consider a request for enhancement/ reduction in the CIF value of the licence, provided the value addition after such enhancement does not fall below the stipulated minimum value addition and provided there is no change in the input-output norms and the Policy under which the licence was issued.

**4.21.1** The licensing authority concerned (as per their financial powers) may also consider the request for enhancement/ reduction in CIF value, quantity of inputs, FOB value of export obligation and quantity of exports of an advance licence provided there is no change in the input output norms and value addition after such enhancement does not fall below the stipulated minimum value addition.

**4.21.2** The request for prorata enhancement in value and quantity may be made either before or after exports. In such cases where there is a change in the SION prior to the export of the said product, the prorata enhancement shall be given after calculating the entitlement

<b>Export Obligation Period and its Extension</b>	4.22	<p>on the revised SION.</p> <p>The period of fulfillment export obligation under an Advance Licence shall commence from the date of issuance of licence. The export obligation shall be fulfilled within a period of 18 months except in the case of supplies under Advance Licence for Deemed Exports/Advance Licence to the projects/turnkey projects in India/abroad where the export obligation must be fulfilled during the contracted duration of execution of the project/turnkey project.</p>
	4.22.1	<p>The request for extension in export obligation period may be made in the form given in Appendix-10G. The regional licensing authority shall grant one extension for a period of six months from the date of expiry of the original export obligation period to the licensee subject to payment of composition fee of 1% of the unfulfilled FOB value of export obligation with reference to CIF value of imports made for which extension is being sought. Request for further extension may be considered by the regional licensing authorities subject to payment of composition fee of 5% of the unfulfilled FOB value of export obligation with reference to the CIF value of imports made for which extension is being sought. Such extension shall however not exceed a period of six months from the date of expiry of earlier extension.</p>
	4.22.2	<p>The Customs may allow provisional clearance of export consignment as and when the licence holder produces documentary evidence of having applied for EO extension to the concerned RLA provided the shipments are effected within 30 months from the date of issuance of licence.</p>
	4.23	<p>The regional licensing authority may consider a request of the original licence holder and grant one revalidation for a period of six months from the date of expiry of the original licence. Request for further revalidation may be considered by the regional licensing authorities. However, such revalidation shall not exceed a period of six months from the date of expiry of earlier period of revalidation. The request(s) for revalidation of licence shall be made in the form given in Appendix-10G</p>
<b>Monitoring Of Obligation</b>	4.24	<p>The licensing authority, with whom the Undertaking is executed by the Advance Licence holder, shall maintain a proper record in a master register indicating the starting and closing dates of obligation period and other particulars to monitor the export obligation. Within two months from the date of expiry of the period of obligation, the licence holder shall submit requisite evidence in discharge of the export obligation in accordance with paragraph 4.25 of the Handbook. However, in respect of shipments where six months period for realisation of foreign exchange has not become due, the licensing authority shall not take action for non submission of bank certificate of exports and realisation provided the other document substantiating fulfillment of EO have been furnished.</p>
	4.24.1	<p>In case the licence holder fails to complete the export obligation or fails to submit the relevant information/ documents, the licensing authority shall take action by refusing further licences, shall enforce the condition of the licence and Undertaking and shall also initiate penal action as per law.</p>
<b>Fulfillment Of Export Obligation</b>	4.25	<p>The licence holder shall furnish the following documents in support of having fulfilled the export obligation:-</p> <p>For physical exports:-</p> <p>(i) Bank Certificate of Exports and Realisation in the form given at Appendix-22</p>



However, realisation of export proceeds shall not be insisted if the shipments are made against confirmed irrevocable letter of credit and the same is certified by the bank in column 14/15 of Appendix- 22.

- (ii) EP copy of the shipping bill(s) containing details of shipment effected.
- (iii) A statement of exports giving details of shipping bill wise exports indicating the shipping bill number, date, FOB value as per shipping bill and description of export product
- (iv) A statement of imports indicating bill of entry wise item of imports, quantity of imports and its CIF value.

For deemed exports

- (i) A copy of the invoice duly signed by the unit receiving the material and their jurisdictional excise authorities certifying the item of supply, its quantity, value and date of such supply.
- (ii) Payment certificate from the project authority in the form given in Appendix-12A. In the case of Advance Licence for Intermediate Supplies/ deemed exports, supplies to the EPZs/EOUs/SEZs/EHTPs/STPs, documentary evidence from the bank substantiating the realisation of proceeds from the Licence holder or EOUs/ SEZs/ EPZs/ EHTPs/STPs, as the case may be, through the normal banking channel, shall be furnished in the form given at Appendix- 22A.

**Redemption** 4.26 In case the export obligation has been fulfilled, the licensing authority shall redeem the case. After redemption, the licensing authority shall forward a copy of the redemption letter indicating the shipping bill number(s), date(s), FOB value in Indian rupees as per shipping bill(s) and description of export product to the Customs authority at the port of registration. Before discharging BG/LUT against the Advance Licence, the Customs shall verify that the details of the exports as given in the Redemption Certificate are as per their records.

Ordinarily, redemption of LUT shall not preclude the customs authority from taking action against the licence holder for any misrepresentation, mis-declaration and default detected subsequently.

**Transitional Arrangement for licences issued upto 31.3.2002** 4.27 The Advance Licence including Advance Licence for Annual Requirement issued upto 31.3.2002 shall be governed by the provisions contained in Chapter-7 of the Handbook (Vol.1) (RE-2001).

**Regularisation Of Bonafide Default.** 4.28 The cases of a bonafide default in fulfillment of export obligation may be regularised by the licensing authority in the manner indicated below:

- (i) If the export obligation is fulfilled in terms of value, but there is a shortfall in terms of quantity, the licence holder shall, for the regularisation, pay:-
  - a) To the customs authority, customs duty on the unutilised value of the imported material along with

interest at the rate of 15% per annum thereon; and

- b) An amount equivalent to 3% of the CIF value of unutilised imported material through a TR in the authorised branch of central bank of India indicating the Head Account: 1453, Foreign trade and export promotion and minor head 1020. However, the provisions of this sub paragraph shall not be applicable if the unutilised imported material was freely importable on the date of import.
- (ii) If the export obligation is fulfilled in terms of quantity but there is shortfall in terms of value, no penalty shall be imposed if the licence holder has achieved the positive value addition. However, if the value addition falls below positive, the licence holder shall be required to deposit an equivalent amount through TR in the authorised branch of Central Bank of India indicating the Head of Account-1453 Foreign Trade and Export Promotion- Minor Head - 1020 so that the 100 times the deposited amount and the FOB value realised in Indian rupees together account for positive value addition over the CIF value.
- (iii) If the export obligation is not fulfilled both in terms of quantity and value, the licence holder shall, for the regularisation, pay as per (i) and (ii) above.
- (iv) In case an exporter is unable to complete the export obligation undertaken in full and he has not made any import under the licence, the licence holder will also have an option to get the licence cancelled and apply for drawback after obtaining permission from the Customs authorities for conversion of shipping bills to Drawback Shipping Bills.

**Time Period For Depositing Fines, Customs Duty, Etc.**

4.29 The customs duty with interest to be recovered from the licensee on account of regularisation or enforcement of BG/LUT, as the case may be, shall be deposited by the licence holder in relevant Head of Account of Customs Revenue i.e. Major Head 0037 - Customs and minor head 001- Import Duties in prescribed T.R. Challan within 30 days of the demand raised by the licensing/customs authority and documentary evidence shall be produced to this effect to the licensing/customs authority immediately. On receipt of such documentary evidence from the licence holder, the licensing authority shall intimate the details of the recovery/ deposits made to the customs authority at the port of registration under intimation to Joint Secretary (Drawback), Department of Revenue, Ministry of Finance, Jeevan Deep Building, New Delhi. The payment of amount of duty, interest and any dues for regularisation shall, however, be without prejudice to any other action that may be taken by the customs authorities at any stage under the Customs Act, 1962.

**Maintenance of Proper Accounts.**

4.30 Every licence holder shall maintain a true and proper account of licence-wise consumption and utilisation of imported goods in Appendix-21. Such records should

		be preserved for a period of at least three years from the date of redemption.
<b>Duty Free Replenishment Certificate</b>	4.31	The Policy of Duty Free Replenishment Certificate is given in paragraph 4.2 of the Policy. The exporter exporting under DFRC shall be required to give a declaration in the EP copy of the Shipping Bill indicating the serial number and product group of SION of the export product.
<b>Export/ Imports under DFRC</b>	4.32	Export shipments under DFRC can be effected from any port mentioned in paragraph 4.19 of the Handbook. The DFRC shall be issued with single port of registration, which will be the port from where the exports have been effected. However for import from a port other than the port of export, TRA shall be issued by the Customs authority at the port of export to the Customs authority to the port of import.
<b>Filing of Application</b>	4.33	An application for grant of DFRC may be made to the licensing authority concerned in the form given in Appendix-10-D along with the documents prescribed therein. An application for DFRC shall be filed only after realisation of export proceeds. However, in case of exports against irrevocable Letter of Credit, application may be filed after exports. The CIF value of DFRC shall be arrived at after discounting 25% from the FOB value of exports. The FOB value shall be calculated on the basis of the Bank Realisation Certificate.
<b>Time Period</b>	4.34	The application for DFRC shall be filed within six months from the date of realisation reckoned from the last date of realisation in respect of shipments for which DFRC is being claimed.
	4.34.1	In case of exports against irrevocable Letter of Credit, the DFRC shall be filed within six months from the date of exports reckoned from the last date of exports in respect of shipments for which DFRC is being claimed.
	4.34.2	For exports against advance payment, DFRC shall be filed within six months from the date of exports against advance payment.
	4.34.3	Wherever provisional shipment has been allowed by the customs authorities, DFRC against such exports shall be issued only after the release of the shipping bill by the Customs. The time limit for filing of application in such cases shall be six months from the date of release of shipping bill or three months from date of realisation, whichever is later.
Frequency of Application	4.35	The applicant shall file one application relating to one export product group from one port of export. Where export product falling under one product group have been exported from different ports, the exporter shall file more than one application for the same export product group.
<b>Verification by Customs</b>	4.36	The licensing authority shall ensure that while issuing the DFRC, the Shipping Bill no(s) and date(s), FOB value in Indian rupees as per Shipping Bill(s) and description of export product are endorsed on the reverse of DFRC. Before allowing the imports against DFRC, the Customs shall verify

		that the details of the exports as given on the DFRC are as per their records.
<b>Duty Entitlement Passbook Scheme</b>	4.37	The Policy relating to Duty Entitlement Passbook Scheme (DEPB) Scheme is given in Chapter-4 of the Policy. The duty credit under the scheme shall be calculated by taking into account the deemed import content of the said export product as per SION and the basic custom duty payable on such deemed imports. The value addition achieved by export of such product shall also be taken into account while determining the rate of duty credit under the scheme.
<b>Fixation of DEPB Rate</b>	4.38	Appendix-10A prescribes the form regarding fixation of DEPB rates. All applications for fixation of DEPB rates shall be routed through the concerned Export Promotion Council which shall verify the FOB value of exports as well as the international price of inputs covered under SION.
<b>Exports in anticipation of DEPB rate</b>	4.39	No exports shall be allowed under DEPB scheme unless the DEPB rate of the concerned export product is notified.
<b>Port of Registration</b>	4.40	The exports/imports made from the specified ports given shall be entitled for DEPB.
		<i>Sea Ports:</i> Mumbai, Kolkata, Cochin, Dahej, Kakinada, Kandla, Mangalore, Marmagoa, Mundra, Chennai, Nhavasheva, Paradeep, Pipavav, Sikka, Tuticorin Vishakhapatnam, Surat (Magdalla), Nagapattinam and Okha
		<i>Airports</i> Ahmedabad, Bangalore, Bhubaneswar Mumbai, Kolkata Coimbatore Air Cargo Complex, Cochin, Delhi, Hyderabad, Jaipur, Srinagar, Trivandrum, Varanasi, Nagpur, and Chennai.
		<i>ICDs:</i> Agra, Ahmedabad, Bangalore, Bhiwadi, Coimbatore, Daulatabad, (Wanjarwadi and Maliwada), Delhi, Dighi (Pune), Faridabad, Guntur, Hyderabad, Jaipur, Jalandhar, Jodhpur, Kanpur, Kota, Ludhiana, Madurai and the land Customs station at Ranaghat Mallanpur, Moradabad, Meerut Nagpur, Nasik, Gauhati (Amingaon), Pimpri (Pune), Pitampur (Indore), Rudrapur(Nainital), Salem Singanalur, Surat, Tirupur, Udaipur, Vadodara, Varanasi, Waluj, Bhilwara, Pondicherry and Garhi-Harsaru.
		<i>LCS</i> Ranaghat and Singhabad
		Provided further that the Commissioner of Customs may, by special orders and subject to such conditions as may be specified by him permit imports or exports from any other sea port, airport, inland container depot or through a land Customs .
	4.40.1	The DEPB shall be issued with single port of registration, which will be the port from where the exports have been effected.
<b>Maintenance of Record</b>	4.40.2	Each Custom House at the ports shall maintain a separate record of the details of the exports made under the DEPB shipping bill.
<b>Credit under DEPB and</b>	4.41	In respect of products where the rate of credit

<b>Present Market Value</b>		entitlement under DEPB Scheme comes to 10% or more, the amount of credit against each such export product shall not exceed 50% of the Present Market Value (PMV) of the export product. At the time of export, the exporter shall declare on the shipping bill that the benefit under DEPB Scheme against the export product would not exceed 50% of the PMV of the export product.
		However PMV declaration shall not be applicable for products for which value cap exists irrespective of the DEPB rate of the product.
<b>Utilisation of DEPB credit</b>	4.42	The credit under DEPB may also be utilised for payment of customs duty on any item which is freely importable except capital goods.
<b>Application for DEPB</b>	4.43	An application for grant of credit under DEPB may be made to the licensing authority concerned in the form given in Appendix-10C along with the documents prescribed therein. The FOB value in free foreign exchange shall be converted into Indian rupees as per the exchange rate for exports, notified by Ministry of Finance, as applicable on the date of order of Let Export by the Customs.
	4.44	In cases where the applicant applies for DEPB after realisation or shipments are made against irrevocable letter of credit certified by the bank in the relevant Bank certificate of export and Realisation, the DEPB shall be issued with transferable endorsement. In other cases, the DEPB shall be initially issued with non-transferable endorsement. However, upon receipt of realisation, the DEPB shall be endorsed transferable.
<b>Monitoring of realisation</b>	4.45	The Regional Licensing Authorities shall monitor the cases where the DEPB has been granted prior to realisation of export proceeds (except the cases where shipments are made against irrevocable letter of credit) so as to ensure that realisation takes place within the prescribed time failing which they shall initiate action for recovery of an amount equivalent to DEPB credit with 15% interest. The recovered amount in such cases shall be deposited in the Head of Account of Customs as stated in paragraph 4.29.
	4.45.1	If the export proceeds is not realised within six months or such extended period as may be allowed by RBI, the DEPB holder shall pay in cash an amount equivalent to the duty free credit utilised on imports, including SAD, against such exports with 15% interest from the date of import till the date of deposit. In such cases, where the amount realised in foreign exchange is less than the amount on which DEPB credit has been obtained, the holder of DEPB shall pay, in cash, an amount proportionate to the duty free credit utilised on imports, including SAD with 15% interest from the date of imports till the date of deposit.
<b>Restriction on use of DEPB credit</b>	4.46	The CIF value of imports affected under the DEPB shall not exceed the FOB value against which the DEPB has been issued. The licensing authorities shall incorporate an endorsement to this effect on the DEPB and shall also mention the FOB value in (Indian rupees) on the DEPB.

<b>Time Period</b>	4.47	The application for obtaining credit shall be filed within a period of six months from the date of exports or within three months from the date of realisation, whichever is later, reckoned from the last date of realisation/exports, in respect of shipments for which the claim have been filed.
	4.47.1	Wherever provisional shipment has been allowed by the customs authorities, DEPB against such exports shall be issued only after the release of the shipping bill by the Customs. In such cases, application for DEPB shall be filed within six months from the date of release of such shipping bill or three months from the date of realisation, whichever is later.
<b>Frequency of Application</b>	4.48	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. This limit shall not apply to the applications filed through EDI mode. However, under the same/one day licensing scheme, a manual DEPB application would be restricted to 10 shipping bill.
<b>Verification by Customs</b>	4.49	The licensing authority shall ensure that while issuing the DEPB, the Shipping Bill no(s). and date(s), FOB value in Indian rupees as per Shipping Bill(s) and description of export product are endorsed on the DEPB. Before allowing the imports against DEPB, the Customs shall verify that the details of the exports, as given on the DEPB, are as per their records.
<b>Revalidation</b>	4.50	No revalidation shall be granted beyond the original period of validity of DEPB.
<b>Re-export of goods imported under DEPB scheme</b>	4.51	Goods imported under DEPB scheme, which are found defective or unfit for use, may be re-exported, as per the guidelines issued by the Department of Revenue. In such cases 98% of the credit amount debited against DEPB for the export of such goods, shall be generated by the concerned Commissioner of Customs in the form of a Certificate, containing the amount generated and the details of the original DEPB. Based on the certificate, a fresh DEPB shall be issued by the concerned Licensing Authority. The fresh DEPB, so issued, shall have the same port of registration and shall be valid for a period equivalent to the balance period of validity of the DEPB against which such goods were imported
<b>Issuance of DEPB/DFRC against Lost EP copy of the Shipping Bills</b>	4.52	In case where EP copy of the Shipping Bill has been lost, the DEPB/DFRC claim can be considered subject to submission of the following documents:- a) A duplicate/certified copy of the Shipping Bill issued by the Customs authority in lieu of original;  b) An application fee equivalent to 10% of the DEPB entitlement or 3% of DFRC entitlement, as the case may be, in respect of lost Shipping Bills. However, no fee shall be charged when the Shipping Bill is lost by the Government agencies and documentary proof to this effect is submitted;

- c) All the other prescribed documents in original.
- d) An affidavit by the exporter about the loss of Shipping Bills and an undertaking to surrender it immediately to the concerned licencing authorities, in case the same is found subsequently.
- e) An indemnity bond by the exporter to the effect that he would indemnify the Government for the financial loss if any on account of DEPB/DFRC issued against lost Shipping Bills.

The Customs authority, before allowing clearance, shall ensure that no DEPB/DFRC benefit has been availed against the same shipping bill.

4.52.1 The claim against the lost Shipping Bill shall be preferred within a period of six months from the date of release of duplicate copy of shipping bill and any application received thereafter will be rejected. However, if a provisionally assessed DEPB shipping bill is lost, the time period for filing an application for DEPB would be six months from the date of release of the finally assessed shipping bill.

***Loss Of Original Bank Certificate***

4.53 In such cases where original bank certificate has been lost, the DEPB/DFRC claim can be considered subject to submission of following documents:

- a) A duplicate copy of the Bank Certificate issued by the bank authority in lieu of original loss.
- b) An application fee equivalent to 10% of the DEPB entitlement or 3.5% of DFRC entitlement, as the case may be, in respect of lost Bank Realisation Certificate.
- c) All the other prescribed documents in original.
- d) An affidavit by the exporter about the loss of Bank Certificate and an undertaking to surrender it immediately to the concerned licencing authorities, in case the same is found subsequently.
- e) An indemnity bond by the exporter to the effect that he would indemnify the Government for the financial loss if any on account of DEPB/DFRC issued against lost Bank Certificate.

The claim against the lost Bank Certificate shall be preferred within a period of six months from the date of export and application received thereafter will be rejected.

In such cases, where both the documents have been lost, the exporter shall follow the procedure laid down in paragraph 4.51 and 4.52.

- Policy** 4.54 The Policy relating to Gem Replenishment Licence, and scheme for gold/ silver/platinum jewellery is given in Chapter-4 of the Policy.
- Replenishment Licence** 4.55 An application for REP Licence may be made in the form given in Appendix-13 alongwith the documents prescribed therein to the licensing authority concerned as given in Appendix-25
- 4.55.1 The application shall be filed within six months following the month/quarter during which the export proceeds are realised. For export proceeds realised during the month/quarter, consolidated application for entire month/quarter shall be filed. However, if any supplementary application is to be filed, it may be accepted with a cut of 10% on entitlement. In case of third party exports, Replenishment benefit shall be admissible provided the EP copy of the Shipping Bill shows the names of both the manufacturer and the third party and REP licence against such exports is claimed by either of the parties after furnishing a disclaimer from the other party. REP licences will be transferable.
- 4.55.2 In case where part payment has been realised against an invoice, the application for REP licence may be made within six months following the month during which part payment was realised, provided;
- a) Not more than two such applications may be made for each such invoice; and
- b) The first such application shall be made only after 50% of the proceeds of the invoice is realised.
- 4.55.3 In case where payment is received in advance and exports take place subsequently, the application for REP licence shall be filed within six months following the month during which the exports are made.
- 4.55.4 For the purpose of clarity, it is again reiterated that the month in which the export has been made in the case of advance payment and the month in which export proceeds have been realised in part or full after making of the exports, shall be excluded while calculating the period of six months for the purpose of filing of application for REP licence.
- Wastage Norms** 4.56 The wastage or manufacturing loss on gold/silver/platinum jewellery and articles thereof is as follows:

Wastage Norms



Item of exports	Percentage of wastage by weight with reference to Gold/Platinum/ Silver content in the export item	
	Gold	Platinum Silver
a.	Plain jewellery and articles and ornaments like Mangalsutra containing gold and black beads/ imitation stones, cubic zirconia etc. but excluding diamonds, precious, semi-precious stones. However, if the per gram value of the semi-precious stones utilised in the making of the jewellery/ articles is less than the per gram value of gold/ silver/ platinum, the wastage norms of plain jewellery shall be applicable.	3.5% 4.5%
b.	Studded jewellery other than those covered by (a) above and articles thereof	9.0% 10%
c.	Mountings and findings manufactured (by non-mechanised process) indigenously	3.5% 4.5%
d.	Any jewellery/articles manufactured by a fully mechanised process and unstudded.	1.25% 1.25%
e.	Mountings, whether imported or indigenously procured/ manufactured, used in the studded jewellery	2.5% 2.5%
f.	Gold/silver/platinum medallions and coins (excluding the coins of the nature of the legal tender)	0.25% 0.25%
g.	Findings and mountings manufactured by mechanized process	1.25% 1.25%

**Value Addition**

4.56.1 The value addition will be calculated with reference to the value of gold/silver/ platinum content including admissible wastage. The minimum value addition shall be:

S. No.	Item of Export	Minimum Value Addition
a)	Studded gold/ platinum/ silver Jewellery and articles thereof other than those covered by entry (b) below	15%
b)	Plain gold/platinum /silver jewellery/ Articles and ornaments like Mangalsutra Containing gold and black beads/ Imitation stones, cubic zirconia etc. only but excluding diamonds, precious & semi-precious stones. However, if the per gram value of the semi-precious stones utilised in the making of jewellery/ articles is less than the per gram value of gold/silver/ platinum, the value addition of only 7% as has been prescribed for plain jewellery shall be achieved.	7%
c)	Any jewellery/articles manufactured by fully mechanised process	3%
d)	Gold/ silver/ platinum medallions& coins (excluding the coins of the nature of legal tender)	3%
e)	Gold/silver/platinum findings/ mountings manufactured by mechanised process	5%

- 4.56.2 The entitlement of quantity of gold/ silver/platinum against the export shall be the quantity of gold/silver/platinum in the item of export plus the admissible wastage/ manufacturing loss.
- Loss of Gem and Jewellery** 4.57 Consignments of gem and jewellery items exported out of the country and lost in transit after exports, where foreign exchange against such exports has been realised or insurance claims settled, will also be eligible for REP licence.
- Gem & Jewellery Replenishment Licences** 4.58 The Gem REP Licences shall be valid for import of precious stones, semi-precious and synthetic stones and pearls. In addition, the licence shall also be valid for import of empty jewellery boxes upto 5% of the value of the licence within its overall CIF value. The Gem REP licences issued against export of studded gold/silver/ platinum jewellery articles, shall also be valid for import of cut and polished precious/semi-precious stones other than emerald upto 10% of the CIF value of the licence within its overall CIF value.
- 4.58.1 The Gem REP Licence are available as per the scale given in Appendix-26A.
- Filing of Application** 4.58.2
- (i) An application for Gem Rep licence may be given to the licensing authority concerned as given in Appendix-25 in the form given in Appendix-13A along with the documents prescribed therein.
  - (ii) In case E.P Copy of the Shipping Bill and Customs attested invoice is submitted to the nominated agencies, the exporter shall furnish a self certified photo copy of the same along with a certificate from the nominated agencies certifying the carat/value of studdings in case of studded jewellery and excess the

value addition achieved in the case of plain jewellery and articles.

- (iii) The provision of paragraph 4.55.1 to 4.55.4 will also be applicable for Gem Rep licences.

<b>Agency Commission</b>	4.59	The exporter availing the scheme of gold/silver/platinum jewellery are allowed to pay agency commission. The value addition shall be calculated after deducting agency commission. Wherever such agency commission is paid, the value addition shall be correspondingly increased by the percentage of agency commission.
<b>Endorsement on Shipping Bill and Invoice</b>	4.60	At the time of export of jewellery, the shipping bill and the invoice presented to the customs authorities shall contain the description of the item, its purity, weight of gold/ silver/ platinum content, wastage claimed thereon, total weight of gold/silver/ platinum content plus wastage claimed and its equivalent quantity in terms of 0.995/ 0.999 fineness for gold/ silver and in terms of 0.9999 fineness for platinum and its value, fob value of exports and value addition achieved. If the purity of gold/ silver/platinum used is the same in respect of all or some of the items made out from each of these metals for export, the exporter may give the total weight of gold/silver/ platinum and other details of such similar items which are of the same purity. In case of studded items, the shipping bill shall also contain the description, weight and value of the precious/ semi-precious stones/ diamonds/ pearls used in manufacture, and the weight/value of any other precious metal used for alloying the gold/silver.
<b>Conditions of Exports</b>	4.61	The exports shall be allowed by the customs authorities provided the endorsement made on the shipping bill and the invoice are correct and the value addition achieved is not below the minimum prescribed in the Policy.
<b>Proof of Exports</b>	4.62	The exporter has to furnish the proof of exports, wherever required for export of gold/silver/platinum jewellery and articles thereof, by furnishing the following documents: (a) E.P copy of the shipping bill; (b) Customs attested invoice; (c) Bank certificate of export in the form given in Appendix-22 showing that documents has been sent for negotiations/collections; and (d) A declaration on the following lines:  ØI/We declare that outstanding

realisation of export proceeds beyond 180 days does not exceed 10% of average exports of preceding three licensing years. / We further declare that no export proceeds are outstanding beyond one year or such extended period for which RBI permission has been obtained. Ó

In case of Personal carriage of jewellery by foreign buyer, the following documents should be submitted by the exporter/seller as proof of exports for claiming export entitlements:

- (a) Copy of the shipping bill filed by the Indian Seller;
- (b) A copy of the Currency Declaration Form filed by the Foreign Buyer with the Customs at the time of his arrival; and
- (c) Foreign Exchange Encashment Certificate from the Bank.

In addition to this, Personal Carriage on Documents Against Acceptance (DA)/ Cash On Delivery (COD) basis is also allowed. The exporter will have to furnish the following documents as proof of exports for claiming export entitlements:

- (i) Copy of Shipping Bill filed by the Indian Seller; and
- (ii) Bank Certificate of Export and Realisation

Instructions issued by the Customs Department in this regard should be followed mutatis mutandis.

**Conversion of Purity/Finessess**

4.63

For conversion of quantity of gold/ silver/platinum in terms of equivalent quantity in terms of fineness, the following formula shall be used:

- (i) Where items of gold has been exported in terms of carats, the quantity of gold shall be multiplied by the number of carat of gold exported, divided by 24 and thereafter again divided by 0.995/0.999/0.900 to arrive at the equivalent quantity of gold in terms of fineness of 0.995/0.999/0.900 respectively; and
- (ii) Wherever the purity of the item of export is expressed in terms of fineness, the quantity of gold/silver/platinum shall be multiplied by the fineness of gold/silver/platinum exported and thereafter divided by 0.995/0.999/0.900 to arrive at the equivalent quantity of gold/ silver/platinum in terms of 0.995/0.999/0.900 fineness respectively. Ó

**Release of Gold/ Silver/ Platinum by**

4.64

The gold/silver/platinum shall be released to the exporter of jewellery by the nominated agencies/RBI authorised banks in multiples of 10 gms or in Ten Tola Bars in respect of golds. However, silver shall be

<b><i>Nominated Agencies</i></b>		released to the exporters in multiples of 1 Kg only. Any balance of gold/silver/platinum shall be available to the exporters along with his future entitlement. The gold/silver shall be released by the nominated agencies in terms of 0.995/0.999 fineness and platinum in terms of 0.900 fineness.
<b><i>Terms of payment</i></b>	4.65	Export of gold/silver/platinum jewellery and articles thereof shall be against irrevocable letter of credit, payment of cash on delivery basis, Documents Against Acceptance (DA) basis or advance payment in foreign exchange.
<b><i>Port of Export</i></b>	4.66	Exports under the schemes of gold/silver/platinum jewellery and articles thereof shall be allowed by airfreight and Foreign Post Office through the Customs House at Mumbai, Calcutta, Chennai, Delhi, Jaipur, Bangalore, Kochi, Coimbatore, Ahmedabad, Dabolin Airport, Goa and Hyderabad. Export by courier shall also be allowed through Custom Houses at Mumbai, Calcutta, Chennai, Delhi, Jaipur, Bangalore, Ahmedabad and Hyderabad upto FOB value of Rs.20 lakhs per consignment.
<b><i>Export by Post</i></b>	4.67	<p>In case of exports through Foreign Post Office which may include export via Speed Post through Foreign Post Office, the value of the jewellery parcels shall not exceed US\$50000 and 20 kg. by weight. At the time of exports, the exporter shall submit the following documents:</p> <ul style="list-style-type: none"> <li>(i) Shipping bills or invoice presented at the foreign Post Office;</li> <li>(ii) Certificate from nominated agencies indicating the price at which gold/ silver/platinum was booked or given on outright sale basis or loan basis;</li> <li>(iii) Three copies of invoice.</li> </ul>
<b><i>Value Addition</i></b>	4.68	Under the scheme for export of jewellery, the value addition shall be calculated with reference to the CIF value of gold/ silver/ platinum which shall be equivalent to the total outflow of foreign exchange on account of gold/silver/platinum content in the export product plus the admissible wastage. Wherever gold on loan basis has been given, the cif value shall also include interest paid in free foreign exchange to the foreign supplier.
<b><i>Export Against Supply By Foreign Buyer</i></b>	4.69	<p>Before clearance of each consignment of import supplied by the foreign buyer, the nominated agency shall execute a bond with the Customs, undertaking to export within the period stipulated in the contract, gold/silver/platinum jewellery or articles equivalent to the entire import quantity of gold/silver/platinum, mountings and findings etc excluding the admissible wastage.</p> <p>In case of direct supply of gold/silver/platinum, alloys, findings and mountings of gold/silver/platinum and plain semi-finished gold/ silver/platinum jewellery to StatusHolder/exporter, the Status Holder/exporter shall furnish a Bank Guarantee to the Customs equivalent to 1 1/2 times of the Customs Duty leviable on imported gold/silver/platinum, alloys, findings and mountings of gold/silver/platinum and plain semi-finished gold/silver/ platinum jewellery etc. The Bank Guarantee executed with the Customs shall be valid for one year. In case of direct supply to the Status Holder/exporter, exports shall be completed within 120 days. In case of non-fulfillment of export obligation/non-achievement of stipulated value addition, Customs Department shall proceed to recover custom duty along with interest which may include enforcement of Bank Guarantee. Besides the importer will be liable to penal action under the Customs Act.</p>

- 4.69.1 The nominated agency/Status Holder/exporter shall be liable to pay customs duty leviable on that quantity which is proved to have been not exported.
- 4.69.2 The goods shall be cleared through Customs by the nominated agency Status Holder/exporter. Even where export order is received by an Associate, the goods shall be cleared through Customs by the nominated agency only and not the Associate. The associate shall, in such cases, authorise the nominated agency to act as its agent to file Bill of Entry and shipping bill.
- 4.69.3 At the time of export, the shipping bill presented to the Customs shall also contain the following:
- (i) Name and address of the associate/Status Holder/exporter;
  - (ii) An endorsement by the nominated agency that the export is made against an order received by the concerned associate, its date of registration with the nominated agency. In case of exports by Status Holder/exporter, a Self Declaration shall be provided to this effect;
  - (iii) The name of the Customs House through which gold/silver/platinum/plain semi-finished gold/silver/ platinum jewellery was imported and the corresponding Bill of Entry No. and date and the date of import.
- 4.69.4 Each shipping bill shall be valid for exports only through the Customs House located at the place where the office of the nominated agency/Status Holder/exporter concerned is situated. It shall be valid for shipment for a period of seven days including the date on which the endorsement was made by the nominated agency in case of exports through nominated agency. If the exports cannot be made within this period, the exporter shall file a fresh shipping bill.
- 4.69.5 At the time of export, the exporter shall submit the following documents :
- (i) Shipping bill with two extra copies where exports are made from a Customs House other than the Customs House through which the corresponding import of gold/ silver/ platinum/plain semi-finished gold/silver/ platinum jewellery was effected. In other cases, shipping bill with an extra copy;
  - (ii) Three copies of invoice;
  - (iii) Certificate from the nominated agency indicating the quantity and value of items supplied by the foreign buyer.
- 4.69.6 The customs authorities shall return two copies of the shipping bill and the connected invoice duly attested. One copy shall be sent to the person who presented the documents and the other copy shall be sent by the Customs to the office of the nominated agency/Status holder/ exporter.
- 4.69.7 In case of exports through nominated agency, the exporter shall submit proof of exports to the nominated agency within 15 days of exports, who shall, after verifying the documents, release admissible quantity of the gold/silver/platinum etc. to the exporter.
- 4.69.8 The exporter may also obtain, in advance, gold/ silver/ platinum etc. supplied by the foreign buyer by furnishing a bank guarantee for an amount equal to the international price of such items plus customs duty payable thereon. The bank guarantee shall be redeemed only

when the exporter has furnished proof of exports to the nominated agency and accounted for the use of items supplied in advance in the export product.

4.69.9 For the purpose of redemption of bond/Bank Guarantee executed with the Customs, the nominated agency/Status Holder/exporter shall furnish a statement indicating the items, its quantity and value supplied by the foreign buyer, the corresponding Bill of Entry number and date, number of each of the shipping bills against which corresponding exports were made.

**Maintenance of Accounts**

4.70 The nominated agency shall maintain complete account, consignment-wise, of the gold, silver, platinum, mountings, findings/plain semi-finished gold/silver/platinum jewellery etc. imported for execution of each export order, the exports effected and the quantity of gold, silver, platinum mountings, findings etc. released against such exports. In case of direct exports, similar accounts shall also be maintained by the Status Holder. Such accounts shall be maintained for a minimum period of three years from the date of exports.

**Export Through Exhibitions/ Export Promotion Tours/ Export of Branded Jewellery**

4.71 The nominated agencies shall produce to the customs authorities letter in original or its certified copy, containing Government's approval for holding the exhibition/export of branded jewellery. Any other person shall produce to the Asst. Commissioner, customs the letter in original or its certified copy containing GJEPC's approval for holding the exhibitions/export promotion tour/export of branded jewellery.

4.71.1 In case of re-import, such items, on arrival, shall be verified along with the export documents before clearance.

4.71.2 (a) The exports under this scheme shall be subject to the following conditions for the following modes of export:

(i) Export of Gems and Jewellery for holding/participating in overseas exhibition.

The exports under this scheme shall be subject to the following conditions:

Items not sold abroad shall be re-imported within 60 days of the close of the exhibition. However, in case the exporter is participating in more than one exhibition within 45 days of close of the first exhibition, then the 60 days shall be counted from the date of close of the last exhibition. In case of personal carriage of gems and jewellery for holding/participating in overseas exhibitions, the value of such gems and jewellery shall not exceed US \$ 2 million.

The gold/silver/platinum content on items sold in such exhibitions may be imported as replenishment. The exporter shall take replenishment from the nominated agency within 120 days from the close of the exhibition gold/silver/platinum for the purpose of replenishment content against the items sold abroad in exhibition.

(ii) Personal Carriage of gems & jewellery for Export Promotion Tools.

Personal carriage of gold/silver/platinum jewellery, cut and polished diamonds, precious, semi-precious stones, beads and articles as samples upto US\$

100,000 for export promotion tours and temporary display/sale abroad is also permitted with the approval of Gem & Jewellery Export Promotion Council subject to the condition that the promoter would bring back the jewellery / goods or repatriate the sale proceeds within 45 days from the date of departure through normal banking channel. In case of personal carriage for export promotion tours, the exporter shall declare personal carriage of such samples to the Customs while leaving the country and obtain necessary endorsement on the Export Certificate issued by Jewellery Appraiser of the Customs. In such cases the exporter shall book with the nominated agency, within 120 days after the export promotion tour or the expiry of the stipulated period of 45 days, whichever is earlier, gold/silver/platinum for the purpose of replenishment content against the items sold abroad.

(iii) Export of branded jewellery.

Export of branded jewellery is also permitted with the approval of Gem and Jewellery Export Promotion Council for display/sale in the permitted shops set up abroad or in the showroom of their distributors / agents. Items not sold abroad within 180 days shall be re-imported within 45 days. The exporter shall book with the nominated agency within 120 days after the end of the stipulated period of 180 days, gold/silver/platinum for the purpose of replenishment content against the items sold abroad.

- (b) The following documents shall be submitted for claiming such replenishment:
- (i) Customs attested invoice;
  - (ii) Copy of the approval letter issued by the Government/ GJEPC;
  - (iii) Certificate from the nominated agency/ GJEPC in the form given in Appendix-13A.
- (c) In case of exhibitions organised by the nominated agencies, the gold/silver/platinum shall be imported as replenishment by the nominated agencies within 60 days from the close of the exhibition.

4.73 The nominated agencies shall maintain a complete account of the exports made, goods sold abroad, goods re-imported, and metals purchased abroad and imported into India. Such account shall be maintained for a minimum period of three years from the date of close of the exhibition.

***Export Against Supply By Nominated Agencies***

4.74 The exporter under the scheme may obtain gold/silver/ platinum on following basis:-



- (i) Replenishment basis after completion of exports;
- (ii) Outright purchase basis in advance;
- (iii) Loan basis.

***Replenishment Basis***

- 4.75 The exporter may apply to the nominated agency for booking of precious metal gold/silver/platinum. The quantity of the precious metal booked with the nominated agency shall be equivalent to the precious metal content in the export product and the admissible wastage.
- 4.75.1 The applicant shall at the time of booking deposit an earnest money for a minimum amount of 20% of the notional price of the precious metal, which shall be adjusted at the time of actual sale.
- 4.75.2 The exporter may also export jewellery on a notional rate based on the certificate provided by the Bank. The exporter must fix the price within the credit terms allowed to the buyer and realise proceeds within the due date of the credit terms or 180 days, whichever is earlier. The exporter exporting on a notional basis under Replenishment Scheme must book the same quantity of gold with the Nominated Agency on the same rate that he may have booked with the buyer. The nominated agencies shall purchase the precious metal on behalf of the exporter at the rate so fixed and thereafter issue a purchase certificate bearing a serial number to the exporter indicating the quantity of gold/silver/ platinum and the CIF value, in dollars including the Rupee equivalent. The price shall be the actual price at which gold/silver/ platinum is purchased by the nominated agencies plus permitted service charges levied by the nominated agencies shall be included with the price of gold/ silver/ platinum for the purpose of value addition. The duplicate and triplicate copies of exporter's application together with copies of purchase certificate for the exporter shall be sent by the nominated agencies to the concerned Custom House as well as to the negotiating bank who will confirm realization at which the gold has been purchased. The exporter exporting under the notional rate will get the Replenishment licence only after the proceeds are realised.

- 4.75.3 The exports shall be effected within a period of 120 days from the date of booking and the drawal of the precious metal shall be completed within a period of 150 days from the date of booking or within 30 days from the date of export whichever is later.

***Outright Purchase Basis in Advance***

- 4.76 The exporter may obtain the required quantity of precious metal in advance on outright purchase basis subject to furnishing of Bank Guarantee to the nominated agencies for an amount as may be prescribed by the nominated agency. On failure to effect exports within the period prescribed, the nominated agencies shall enforce the Bank Guarantee.
- 4.76.1 The exports shall be effected within a maximum period of 120 days from the date of outright purchase of the precious metal.

## ***Loan Basis***

- 4.77 The exporter may obtain the required quantity of precious metal on loan basis subject to furnishing of Bank Guarantee to the nominated agencies for an amount as may be prescribed by the nominated agencies. On failure to effect exports within the period prescribed, the nominated agencies shall enforce the Bank Guarantee.
- 4.77.1 The exporter has to pay interest on gold taken on loan basis at the rate as may be specified.
- 4.77.2 The export has to be completed within a maximum period of 120 days from the date of release of gold on loan basis. No extension for fulfillment of export obligation shall be allowed.
- 4.77.3 The exporter shall be permitted to export the jewellery on the basis of a notional rate certificate to be issued by the nominated agency. This rate will be based on the prevailing Gold/USD rate and the USD/INR rate in the notional rate certificate. The certificate issued by the nominated agency should not be older than 3 working days of the date of shipment.

The value addition will have to be achieved on rate as maybe got fixed with the buyer and the nominated agency.

The exporter shall have the flexibility to fix the price and repay the gold loan within 180 days from the date of export. This price shall be communicated to the nominated agencies who will issue a certificate showing the final confirmation of the rate to the bank negotiating the documents, to ensure export proceeds are realized at this rate.

## ***Exports against Advance Licence***

- 4.78 The procedure applicable to Advance Licences under Chapter 4 of this Handbook shall apply to this scheme.
- 4.78.1 The export obligation will be required to be fulfilled within 120 days from the date of import of first consignment against the licence. The advance licence holder may import gold as replenishment after completion of exports.
- 4.78.2 The advance licence holder may obtain gold/silver/platinum from the nominated agencies in lieu of direct imports. In such a case, the nominated agency shall make, both the exchange control copy and customs purpose copy of the licence invalid for direct imports.

## ***Regularisation of Bonafide Default***

- 4.79 The cases of bonafide default in fulfillment of export obligation by an exporter who has obtained precious metals from the nominated agencies may be regularised provided the exporter has paid customs duty along with 15% interest thereon to the Customs. However, in the case of advance licence, the provisions as given in Chapter-4 of this Handbook shall apply. This shall be without prejudice to any action that may be taken against the exporter under the Foreign Trade (Development and Regulation) Act 1992, the Order or the Rules issued thereunder.

**Replenishment License for Import of Consumables** 4.80 A Replenishment Licence for duty free import of consumables, equal to 1% of FOB value of exports of the preceding year may be issued on production of Chartered Accountant's Certificate indicating the export performance and surrender of REP licence with a balance validity of minimum of three months issued under Chapter-4. This licence shall be non-transferable and subject to actual user condition. This Replenishment Licence shall be valid for duty free import of consumables as notified by the Customs. Application for import of consumables or import of plain/studded jewellery as given above may be made to the concerned Regional Licensing Authority in the form given in Appendix-13.

**Personal Carriage of Gems & Jewellery export parcels** 4.81 Personal Carriage of gems & jewellery parcels by Foreign Bound Passengers from all EOU/EPZ/SEZ units and all firms in DTA through the Airports in Delhi, Mumbai, Kolkata, Chennai, Bangalore, Hyderabad and Jaipur is permitted. The procedure for Personal Carriage of exports shall be as prescribed by Customs. The export proceeds shall, however, be realised through normal banking channel. For claiming the Replenishment in case of Personal Carriage of Exports by Foreign Bound passenger, documents shall be the same as mentioned under paragraph 4.75.2 of the Handbook(Vol.1). Authorised Courier Companies are also permitted to operate on the above lines.

**Personal Carriage of Gems & Jewellery Import Parcels** 4.82 Personal carriage of gems & jewellery import parcels by an Indian importer/ Foreign National may be permitted into all EOUs/EPZ/SEZ units and all firms in DTA through the airports in Delhi, Mumbai, Kolkata, Chennai, Bangalore, Hyderabad and Jaipur. The procedure will be the same as for import of goods by air-freight except that the parcels shall be brought to the Customs by the Importer/Foreign National for examination and release. The clearance of imports under this scheme shall be as per the normal licensing system of Chapter-4 of the Policy.

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