Scheme to settle export obligation defaults on cards

One–time opportunity to help 1,100 exporters

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The Union Budget 2023-24 may propose a dispute resolution scheme for exporters, which will offer a one-time opportunity to settle past issues of disagreement involving export obligation defaults.

The scheme, in the works, may provide a window of three-six months for exporters to come clean. It could lower the interest to one-third on delayed Customs duty payment and may even waive penalties, two people privy to the matter said.

About 1,100 exporters, a majority of them from micro, small, and medium enterprises, are learnt to have failed to fulfil the stipulated export obligation, making them liable to pay the 10 per cent Customs duty, along with 15 per cent interest per annum to the Customs authorities.

The scheme, if it comes into effect, will benefit exporters who have defaulted on export obligations related to two schemes — the Export Promotion Capital Goods Scheme (EPCG) and Advance Authorisation (AA) Scheme — since 2010.

RELIEF FOR MSMEs

RUN–UP TO THE BUDGET 2023–24

- The proposed dispute resolution scheme may provide a window of 3–6 months

- Defaults mainly in two schemes — Export Promotion Capital Goods Scheme, and Advance Authorisation Scheme

- Exporters wanting to avail of the scheme may have to pay Customs duty along with one–third interest

- Penalty for non–compliance could be waived

- Pending Customs duty could be about ₹1,000 crore, but interest could have swelled over the years

Export ...

"The Directorate General of Foreign Trade (DGFT) has prepared the draft of the scheme in consultation with the Revenue Department. The terms of the scheme are under examination and could be proposed in the Budget," a senior government official told *Business Standard.*

He said talks had been held with several stakeholders and the departments concerned. The idea is to regularise default in export-scheme cases while unlocking tax revenue and providing relief to exporters, the official added. Industry's rough estimates suggest that Customs duties payable are not high and could be about ₹1,000 crore. However, interest on the dues could have swelled over the years. "The scheme will benefit several exporters who are unable to meet export obligations mainly due to external circumstances. The last couple of years were difficult worldwide due to the pandemic and as the economy returns to normal, it is an opportunity for Indian exporters to settle any past unresolved export obligations amicably," said Bipin Sapra, partner, EY.

Exporters availing themselves of benefits under the EPCG scheme are required to achieve an export value equivalent to six times the Customs duties saved on capital goods. This has to be met in six years reckoned from the date of the issue of authorisation. Advance Authorisation is issued for importing duty-free inputs, against which prescribed export obligations have to be fulfilled within 18 months of the date of issue of the authorisation.

The EPCG scheme enables importing capital goods used in pre- and post-production without paying any duty for it.

Some exporters are learnt to have requested the government to extend the time period for compliance. In the case of non-compliance, the DGFT has the powers to take action against licence holders. "In a number of cases, the interest amount so far exceeded the customs duties payable by exporters. We are seeking relief from the interest and penalties because these liabilities will make businesses non-viable," said Ajay Sahai, director general and CEO, Federation of Indian Export Organisations.

▶ BS SUDOKU #3871

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Solution tomorrow

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