Commerce dept to overhaul services sector scheme to shore up exports

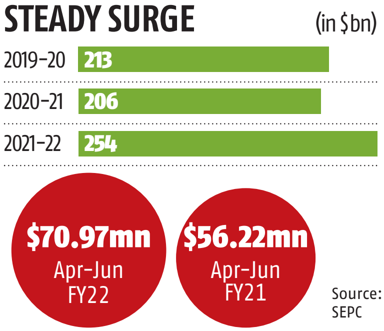
SHREYA NANDI
New Delhi, 24 August

The Department of Commerce is working towards overhauling the export boosting scheme for the services sector — Service Exports from India Scheme (SEIS) — with the expressed objective of supporting pandemic-hit sectors like tourism, hospitality, education, and health care.

The scheme is expected to be a part of the new foreign trade policy expected to be rolled out by the Directorate General of Foreign Trade next month, said people in the know.

"The Department of Commerce is working towards a new (revamped SEIS) scheme to boost services exports that is compliant with the World Trade Organization norms. The idea is to support sectors such as education and health care. The information technology (IT) sector will continue to remain excluded from any incentive," said a senior government official.

Of the total services exports, IT exports has the lion's share and does not fall within the purview of SEIS.



There has been no export incentive scheme for services exports over the past two fiscal years — 2020-21 (FY21) and 2021-22 (FY22).

SEIS was the only central service export incentive scheme rolled out in 2015 as part of the existing foreign trade policy, but the scheme wasn't notified after 2019-20.

Under the scheme, the government gave 3-7 per cent incentive on net foreign exchange earned in the form of duty credit scrips.

Scrips were used for payment of basic and additional Customs duties on goods imported.

The clamour for an incentive scheme for the services sector is rising, especially at a time when merchandise exports are expected to grow at a slower pace due to tepid demand, driven by fears of recession in the US and Europe.

The value of India's merchandise exports is likely to be around $470-480 billion in the current fiscal year (2022-23), against $421 billion in FY22. The services sector is likely to contribute $280 billion, compared to $254 billion a year ago.

"With headwinds clearly visible in merchandise trade, we need to push our services exports in the current fiscal year, so that we have the necessary cushion — both on trade deficit and current account deficit," the Federation of Indian Export Organisations (FIEO) had said in a presentation to the commerce and industry minister earlier this month.

"Mode-II of services (supply of a service from India to consumers of another country) requires a little more support since lack of international travel in FY21 and FY22 had affected a large number of travel and tourism sector exporters, besides hotels. A scheme such as SEIS may be considered for these sectors, besides some others," the exporters' body had said.

Abhay Sinha, director general, Services Exports Promotion Council (SEPC), said all sectors that were eligible to claim SEIS benefits should be a part of the revamped incentive scheme to boost services export. "The key is to include as many sectors as possible, although there can be some kind of caps that may be imposed to make the new scheme more broad-based," said Sinha.

SEPC has urged the government to allocate around ₹3,000 crore annually for the new scheme.