



Pune | Mumbai | Hyderabad

Global Trade Dynamics: Understanding the Benefits and Incentives



Knowledge Series

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❖ Introduction

Global trade has become a key pillar of India's economic strategy, driving growth, innovation, and its global standing. In an increasingly connected world, India's strong trade policies and strategic initiatives have created significant opportunities, establishing the country as a vital player in the global economy.

In this series, we will discuss the benefits and incentives of global trade in India, highlighting how government policies and initiatives support trade, improve competitiveness, and drive economic growth. To understand these advantages, it's important to first recognize why global trade is vital for a country's development.

❖ The Importance of Global Trade for India's Economic Growth:

Global trade plays a key role in India's economic growth, contributing to its GDP, job creation, and overall prosperity. By exporting goods and services, India taps into international markets, driving demand, boosting production, and creating employment opportunities. Imports, in turn, bring in vital raw materials, machinery, and technology, which support domestic industries and improve productivity.



India's engagement in global trade has led to greater economic diversity. It has expanded beyond traditional agricultural exports to include a broad range of manufactured goods and services. This shift has sparked innovation, technological progress, and the development of new industries. Additionally, trade attracts foreign direct investment (FDI), bringing in

capital, expertise, and technology from global companies, which further drives economic growth.

❖ Domestic Policies Promoting International Trade and Investment

The Indian government has introduced several key policies aimed at creating a favorable environment for international trade and investment. These initiatives focus on **streamlining trade processes, lowering barriers to entry, and attracting foreign capital**. The government has taken steps to liberalize foreign investment policies, easing restrictions in critical sectors and making it easier for foreign investors to access the Indian market. To further support both importers and exporters, various policies and incentives have been introduced.

Each Scheme will be Presented following this structure:

1. 🌀 Overview of the scheme
2. 😊 Key Benefits of the Scheme
3. 📋 Eligibility criteria
4. ➡ Application Process for the scheme

Schemes Promoting Import:

Duty-Free Import Authorization (DFIA)

The Duty-Free Import Authorization (DFIA) scheme allows exporters in India to import inputs required to produce export goods without incurring customs duties. DFIA licenses are valid for **12 months** from the date of issues. DFIA is not available for imports subject to pre-import conditions or for items listed in [Appendix 4J](#), such as certain spices and precious metals.

Benefits

- **Duty-Free Imports:** DFIA allows duty-free import of inputs, including raw materials, fuel, oil, catalysts, and energy sources needed for manufacturing export products. However, this exemption is **available only for the basic** custom duty.



- **Transferable License:** DFIA licenses are transferable, enabling the sale or transfer of the license or imported inputs after fulfilling export obligations.

Key Criteria:

- **Post-Export Basis:** DFIA is issued only after the export of products for which Standard Input Output Norms (SION) have been established.
- **Minimum Value Addition:** A minimum value addition of 20% is required for the exported products. Certain items may require a higher value addition as specified in [Appendix 4C](#).
- **Merchant Exporters:** If applying as a merchant exporter, the name and address of the supporting manufacturer must be included in all export documents (e.g., shipping bills, invoices).
- **Application Submission:** The application for DFIA must be filed with the concerned Regional Authority **before** exporting the products
- **Eligibility of Exported Items:** The exported item must be listed under SION norms to qualify for DFIA.

Application Process for the scheme

- **Online Application:** File an online application through the DGFT portal using ANF 4G form before initiating exports and obtain a file number upon submission
- **Export Documentation:** Complete the export within 12 Months from the date of obtaining the file number
- **Submit Required Documents:** Submit necessary documents to the concerned DGFT RA, including Shipping bill, E-BRC (Electronic Bank Realization Certificate), Tax invoice and any other relevant documents as required
- **Review by DGFT RA:** The DGFT RA will review the submitted documents. If everything is in order, they will issue the transferable DFIA license within 20-25 days.

Export Promotion Capital Goods (EPCG) Scheme

Under this scheme, importers can bring in capital goods which directly contribute to manufacturing at **zero customs duty**. The scheme aims to facilitate the import of high-quality machinery and equipment necessary for producing goods that enhance India's export competitiveness. EPCG is not available for the items specified in [Appendix-5F](#) and for plant & equipment used solely for generating electrical energy



Benefits

- **Zero Customs Duty:** Import capital goods at zero customs duty, significantly reducing initial investment costs for exporters.
- **Wide Coverage:** Applicable to various entities, including manufacturer exporters, merchant exporters tied to supporting manufacturers, and service providers.
- **Flexibility in Imports:** Allows the import of second-hand capital goods without restrictions on age, providing more options for cost-effective machinery.

Key Criteria:

- **Type of Entity:** Must be a manufacturer exporter, merchant exporter tied to a supporting manufacturer, or service provider.
- **Export Turnover:** Must have a minimum export turnover of ₹1 crore in the previous financial year.
- **Remaining export obligation** must be at least equal to the duty charged on the imported capital goods under this scheme.
- **Nexus Certification:** Required to obtain nexus certification from an independent chartered engineer, confirming that the capital goods are necessary for production.

Application Process for the scheme:

- Fill Out Application Form (ANF 5A)
- Provide Required Documentation
- Further follow the general process, upload the documents as required and make the necessary payments.

Schemes Promoting Export:

EPCG Scheme (Export Promotion Capital Goods Scheme:

Benefits

- **Zero customs duty:** Capital goods like machinery or equipment used before, during, or after production can be imported without paying customs duty.
- **Exemption from IGST and Compensation Cess:** Capital goods imported to produce goods for export are exempt from IGST and Compensation Cess.
- **Import of second-hand capital goods:** Second-hand capital goods can be imported under the EPCG Scheme, regardless of their age.
- The scheme is open to companies that have an annual export turnover of ₹ 100 crore or more. Eligible companies can apply for a refund of 80% of the investment amount, plus a 15% interest subsidy.
- Under the Export Promotion Capital Goods Scheme, the government offers tax holidays and other incentives to companies who invest in high-technology capital goods, such as machinery and equipment.

Key Criteria:

- To be eligible for the scheme, exporters must meet certain conditions, including having a valid export license and a registered company with minimum paid-up equity of ₹ 100 crores. In addition, exporters must certify that their exported capital goods will not be used for military purposes.
- The scheme offers a grant of up to ₹ 50 crore per project, contingent upon the successful completion of the exporting enterprise. The grant can be used to finance both domestic and foreign investment in the project. The scheme is open to all types of capital goods, including manufactured products and services.

Application Process for the scheme:

- Register with the Director General of Foreign Trade (DGFT).
- Fill out the online E-com Application available for EPCG.

- Further follow the general process, fill in the required information, and upload supporting documents

RoDTEP (Remission of Duties and Taxes on Export Products):

Benefits

- The RoDTEP scheme will help to make Indian exports more competitive in global markets. This is because the scheme will reimburse exporters for the duties and taxes that they have paid on imported input.
- The RoDTEP scheme is a simplified and automated scheme. This will make it easier for exporters to avail the benefits of the scheme. This will improve the ease of doing business in India, making it more attractive for foreign investors.



Key Criteria:

- The RoDTEP scheme is open to all exporters of goods from India. This includes both manufacturer exporters and merchant exporters.
- The goods must have India as their country of origin. This means that the goods must have been manufactured in India or have undergone substantial transformation in India.
- There is no minimum turnover requirement for the RoDTEP scheme. This means that exporters of all sizes can avail of the benefits of the scheme.
- The RoDTEP scheme covers a wide range of goods exported from India. This includes both manufactured goods and agricultural products.

Application Process for the scheme:

- Exporters will make a claim for RoDTEP in the shipping bill by making a declaration based on the declarations in the Shipping Bill, the eligible RoDTEP will be processed by Customs.
- The RoDTEP benefit will be credited to the exporter's account. This will be done in the form of a transferable duty credit scrip the exporter can use the scrip to pay for future imports or to transfer it to another exporter, The scrip will be valid for a period of three years
- The RoDTEP scheme will be implemented through digitization of the rebate amount in the form of transferable duty credit scrip. Such scrip would be maintained in an electronic ledger by the CBIC for its utilization.

Recent Government Initiatives and Reforms:

- **Production Linked Incentive (PLI) Scheme:** Designed to boost domestic manufacturing across key sectors by providing financial incentives linked to incremental production.
- **Digital Incentives for Trade Facilitation:** Adoption of ICT tools to streamline customs and trade processes, such as ICEGATE, e-Sanchit, and Single Window Clearance System.
- **Export Oriented Units (EOU):** Encourages exports by allowing EOUs to procure raw materials and capital goods without paying customs or excise duties.
- **Special Economic Zones (SEZ):** Facilitates export-oriented growth by offering incentives such as tax exemptions, duty-free imports, and simplified regulatory norms.

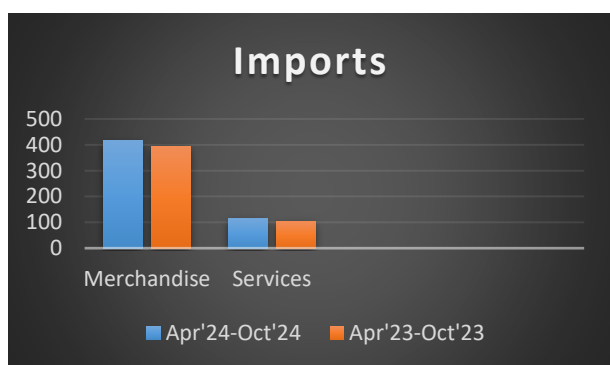


Statistics:

As per the latest Press Information Bureau release of the Ministry of Commerce & Industry Department of Commerce, let's have a look at the growth of the Import and Export sector in India.

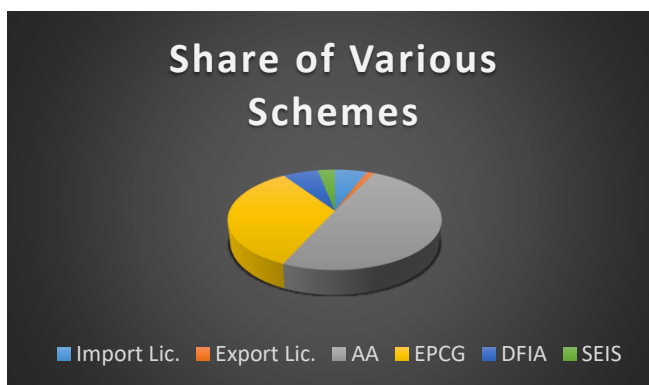


(*All figures are in USD Billion)



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After having a look at the growth of Import and Export, let's now have a quick overview of the share of various export promotion schemes in issuance of authorization by the Regional Authorities:



(* Data pertains to the period from April 2023 to December 2023)

❖ Compliance calendar for the month of December:

S. N.	Due Date	Compliance
1	07-12-24	Payment of TDS/TCS (Monthly)
2	07-12-24	ECB-2 Return
3	11-12-24	GSTR-1 (Monthly)
4	13-12-24	B2B Invoice Reporting through IFF (QRMP Scheme)
5	13-12-24	GSTR-6 (ISD Return)
6	15-12-24	ITR for assessee required to submit report u/s 92E (Extended due date)
7	15-12-24	Payment of ESIC and Return
8	15-12-24	Payment of PF and Return
9	15-12-24	Payment of Advance Tax (3rd installment)
10	20-12-24	Monthly GSTR-3B
11	25-12-24	GSTR-3B (Payment under QRMP)
12	30-12-24	TDS Payment in Form 26QB (Property), 26QC (Rent), 26QD (Contractor Payments), 26QE (Crypto Assets) for Nov 2024
13	31-12-24	Monthly Return of PTRC
14	31-12-24	Due date for Belated and Revised Income Tax Filing for AY 2024-25 for all Non Corporate's and Corporate's
15	31-12-24	GST Annual Return Filing for FY 2023-24(GSTR-9 & 9C)
16	31-12-24	Softex form filing

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❖ Special Mention:

Thank you, **Narayan Sachdev, Amit Borkar, Ramanuj Baheti, and Malhar Nikam** for successfully completing this enriching knowledge series.

❖ GC CORNER:

We joyously marked the 12th anniversary of our firm with a grand annual celebration AAGAZ.

The extraordinary talent of our remarkable team took center stage, dazzling us with captivating performances—singing, dancing, jamming, and dramatic displays. It was a day brimming with creativity, boundless energy, and a heartwarming testament to the power of collaboration.