



INDIAN DRUG MANUFACTURERS' ASSOCIATION

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PARTNERS IN GLOBAL HEALTHCARE

February 03, 2015

Shri Pravir Kumar, **IAS**
Director General of Foreign Trade,
Ministry of Commerce & Industry
Udyog Bhavan
New Delhi



Dear Sir,

Sub: Issues relating to our Exporter members with regard to: (a) misinterpretation of FTP in the case of Status Holder Incentive Scheme (SHIS) and (b) Retrospective change in notification in date of implementation of Incremental Export Incentivisation Scheme (IEIS) & restrictions on credit scrip limits.

We would like to bring to your kind attention the facts of the case on both the above mentioned problems faced by members, which are enumerated here below:

STATUS HOLDER INCENTIVE SCHEME (SHIS):

Show cause notices have been issued to member-exporters on the grounds that double benefits have been availed by them i.e. Zero Duty EPCG scheme as per Para 5.1(a) of FTP and also availed benefits under Para 3.16.1(vi) of FTP i.e. under SHIS. Moreover notices/order in writing are issued to all the directors of the company personally asking for penalty for issues, which are merely issues pertaining to difference in interpretation of the FTP.

In this regard, we would like to bring to your kind attention that exporters of Pharmaceutical products falling under Chapter 30 of the ITC (HS) Classification have availed the benefits under Zero Duty EPCG scheme.

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Exports made by members under the category of bulk drugs falling under Chapter 29 of the ITC(HS) classification have availed benefits under the SHIS scheme.

Therefore, we observe that the benefits under each of the category are different from each other.

We also understand from the exporters that different benefits have been availed under different schemes and no double benefits have been availed by the members. If needed, thorough scrutiny can be called for by the Office of DGFT to ensure the same.

INCREMENTAL EXPORTS INCENTIVISATION SCHEME:

We refer to the Notification no. 27(RE-2012)/2009-2014 dated 28th December 2012 of DGFT that Incremental Exports Incentivisation Scheme was announced. A new para 3.14.4 was added to the Foreign Trade Policy 2009-14. Under the incentive Scheme Duty Credit Scrips @ 2% were permitted on the incremental exports during the period 01.01.2013 to 31.03.2013 compared to the period from 01.01.2012 to 31.03.2012 on the FOB value of exports.

Thereafter an Amendment was made in Chapter 3 of Foreign Trade Policy vide Notification no. 44 (RE-2013)/2009-2014 dated 25th September 2013. The following sub-paragraphs (i) & (ii) were added below paragraph 3.14.4 (c) as under:

(i) Benefit of Incremental Export Incentivisation Scheme for the last quarter of 2012-13 will be limited to 25% growth or incremental growth of Rs. 10 crores in value, whichever is less.

(ii) Claims in excess of this value will be subjected to greater scrutiny by Regional Authority.

Now, we understand from our members that Jt. DGFT Mumbai has issued letters directing them to surrender the Scrips. The grounds mentioned by DGFT are that the Scrips were issued in excess of their entitlement / incentives and the same is required to be reduced due to a subsequent notification 44(RE-2013) 2009-14 dated 25th September 2013 which curtailed and limited the Scrips to 25% of the exports during the base period that is Quarter 2011-2012.

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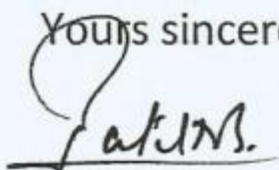
However, the Notification No. 44 mentioned above, is clearly stating that (i) *Benefit of Incremental Export Incentivisation Scheme for the last quarter of 2012-13 will be limited to 25% growth or incremental growth of Rs. 10 crores in value, whichever is less.* Further, Point No. (ii) of the said notification also states that claims in excess of this value will be subjected to greater scrutiny by Regional Authority. The said notification does not restrict the amount of maximum benefits to be claimed.

We understand that member-exporters have been issued recovery notices asking them to surrender the excess benefits claimed by them and also to pay the interest.

We would therefore request you to kindly look into both the issues urgently.

Thanking you,

Yours sincerely,



Daara B. Patel
Secretary-General

Copy to:

1. Shri D K Singh, **IAS**, Additional DGFT, Udyog Bhavan, New Delhi.
2. Dr. Kavita Gupta, **IAS**, Additional DGFT, O/o DGFT, Mumbai.
3. Shri Sudhanshu Pandey, **IAS**, Joint Secretary, Department of Commerce, New Delhi.

