

GOVERNMENT OF INDIA  
MINISTRY OF COMMERCE & INDUSTRY  
(DEPARTMENT OF COMMERCE)

**LOK SABHA**  
**UNSTARRED QUESTION NO. 3078 (H)**  
**TO BE ANSWERED ON 06<sup>th</sup> AUGUST, 2018**

**MISUSE OF TRADE PROMOTION SCHEMES**

3078(H). SHRI RAJU SHETTY:

Will the Minister of **COMMERCE & INDUSTRY** (वाणिज्य एवं उद्योग मंत्री ) be pleased to state:

- (a) the details of schemes being implemented for promotion of foreign trade and export in the country;
- (b) whether any cases of misuse of these schemes have come to the notice of the Government during the last three years;
- (c) if so, the details thereof during the said period, State-wise; and
- (d) the steps taken by the Government to put a check on such cases of misuse of these schemes and the outcome thereof?

**ANSWER**

वाणिज्य एवं उद्योग मंत्रालय में राज्य मंत्री (श्री सी. आर. चौधरी)

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY  
(SHRI C. R. CHAUDHARY)

- (a) Madam, under the Foreign Trade Policy 2015-20, the Government of India has the following schemes for promotion of foreign trade and export from the country.
  - i. Merchandise Exports from India Scheme (MEIS) incentivizes exporters in terms of Duty Credit Scrips at the rate 2, 3, 4, 5, 7 and 10% of realized FOB value of exports. These scrips are transferable and can be used to pay certain Central Duties/taxes including customs duties, but not IGST/CGST/SGST. At present, the Scheme covers approx 8052 tariff lines at 8 digits level.
  - ii. Service Exports from India Scheme (SEIS) rewards service providers of notified services, on Net foreign exchange earnings, who are providing service from India to the rest of the World, in the form of Duty Credit scrips which are utilizable just like MEIS.
  - iii. Advance Authorization and related schemes, under which the importer of a raw material is provided the facility of importing raw materials without payment of duty, provided the imported material is used for manufacturing export products.
  - iv. Export promotion Capital Goods Scheme (EPCG), allows the exporters to import duty free capital goods, which can be used at pre-production, production and post production stages of the manufacture of export product and services provided, they commit to fulfill an export obligation equal to six times of the duty saved in six years.

- v. The Foreign Trade Policy also has provisions for local supplies, to provide a level-playing field to domestic manufacturers under “Deemed Exports”, which refer to those transactions in which goods supplied do not leave country, and payment for such supplies is received either in Indian rupees or in free foreign exchange.
- vi. Further, the Ministry implements a scheme namely Trade Infrastructure for Export Scheme (TIES). The scheme was launched during BE 2017-18, for 3 years, with the objective to enhance export competitiveness by bridging gaps in export infrastructure, creating export focused infrastructure and inducing states to take up more export-oriented projects including those required for addressing quality and certification concerns.
- (b) & (c) Yes Madam, instances of misuse of these schemes have come to the notice of the Government in the last three years. The misuse is related to improper availment of EPCG benefits, advance authorization scheme, claim of benefits under Focus Market Schemes/ Focus Product Schemes based on fraudulent documents/ shipping bills, availment of DFIA (Duty Free Import Authorization) scheme benefits on doubtful transactions, Evasion of Customs Duty by utilizing SFIS scrips obtained on ineligible remittances etc. A summary of state wise cases for the period is attached in the Annexure I.
- (d) The Government takes note of any such misuse as reported by the Department of Revenue Intelligence (DRI) inputs, or during routine audit or scrutiny of applications. Under the provisions of the Rule 7 of the FT (Development and Regulation) Rules such IEC holders are immediately placed in the Denied Entity List and subsequent action under FT(D&R) Act is initiated with due procedure. The outcome of such actions is full recovery of undue benefits granted to such firms along with interest and penalty as imposed by the relevant Adjudication authority. The DGFT has an Enforcement Cum Adjudication (ECA) division through which this effort is co-ordinated with different agencies.

### Annexure - I

Details of Cases of Misuse of Schemes in the period 2015-16 to 2017-18\*

Sl. No.	Name of State	No. of Cases
1.	Gujarat	77
2.	Punjab	53
3.	Haryana	03
4.	Delhi	11
5.	Karnataka	01
6.	Tamilnadu	02
7.	Uttar Pradesh	01
8.	West Bengal	01
9.	Maharashtra	04
10.	Andhra Pradesh	01

\*As reported by the agencies from which report was sought till the time of submitting reply. Information for other states is NIL, as yet.

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