

'Export incentives on rupee payment via Vostro account'



CHATROOM

T N C RAJAGOPALAN

We have made a shipment denominated in Indian rupees to the UK and the US. We have received payment through banking channels and our bank has informed us that the payment has been received through Vostro account. Can we claim MEIS benefits on this shipment against such receipts?

Yes. According to Para 2.52(b) of FTP, "export proceeds against specific exports may also be realised in rupees, provided it is through a freely convertible Vostro account of a non-resident bank situated in any country other than a member country of Asian Clearing Union (ACU) or Nepal or Bhutan. Additionally, rupee payment through Vostro account must be against payment in free foreign currency by buyer in his non-resident bank account. Free foreign exchange remitted by buyer to his non-resident bank (after deducting bank service charges) on account of this transaction would be taken as export realisation under export promotion schemes of FTP."

RBI Master Direction 16/2015-16 dated January 1, 2016 (as amended), also quotes this Para and says that there is no restriction on invoicing of export contracts in Indian rupees in terms of the Rules, Regulations, Notifications and Directions framed under the Foreign Exchange Management Act, 1999.

While affording us pre-shipment and post-shipment export credit

limits, our bank has insisted on charging us an interest rate of 10.5 per cent. This is based on their understanding that preferential export credit is available only to manufacturing exports and not merchant exports. Is it correct?

According to the RBI circular 2018-19/17 dated January 11, 2019, bearing reference DBR Dir BC No.22/04.02.001/2018-19, "it has been decided by the Government of India to include merchant exporters also, w.e.f. January 2, 2019, under the ongoing Interest Equalisation Scheme for Pre and Post Shipment Rupee Export Credit and allow them interest equalisation at the rate of 3 per cent on credit for export of products covered under 416 tariff lines identified under the Scheme".

We approach our bankers for grant of GR waiver for export of goods free of cost, say for sending goods as free replacement, or for testing abroad, or for repairs or as free samples. We are not clear what value we should declare for the goods. Should we declare commercial value of goods or declare notional value? Please clarify.

You should declare the value determined in accordance with Section 14 of the Customs Act, 1962, read with Customs Valuation (Determination of Value of Export Goods) Rules, 2007.

We refer to DGFT PN 55 dated January 3, 2010, extending the period for seeking extension of first block and final EO period of EPCG authorisations till end-March this year. What will be the treatment of export shipments made between date of expiry of the EPCG authorisation and date on which request was made for extension in time period for fulfillment of EO?

That PN does not extend the first block or final EO period. It only relaxes the period within which you can ask for extension of the first block or final EO period.