

A.P. (DIR Series)

CIRCULAR NO 03/RBI.,

Dated: July 22, 2010

Export of Goods and Services - Unrealised export bills – Write-off - Surrender of export incentives

Attention of Authorised Dealer Category – I (AD Category –I) banks is invited to A.P. (DIR Series) Circular No. 12 dated September 09, 2000, A.P. (DIR Series) Circular No. 30 dated April 04, 2001, A.P. (DIR Series) Circular No. 61 dated December 14, 2002, A.P. (DIR Series) Circular No. 40 dated December 05, 2003 and A.P. (DIR Series) Circular No. 33 dated February 28, 2007, in terms of which the AD Category –I banks have been permitted to accede to the requests for "write-off" made by the exporters, subject to the conditions, inter alia, that the exporter had to surrender proportionate export incentives, if availed of, in respect of the relative shipments.

2. It has since been announced in the Foreign Trade Policy (FTP) 2009-14 and specified in Para. 2.25.4 of Handbook of Procedures – Vol. I (2009-2014) (extracts annexed), issued by the Department of Commerce, Ministry of Commerce and Industry that realisation of export proceeds shall not be insisted upon, under any of the Export Promotion Schemes under the Foreign Trade Policy (FTP), subject to the following conditions:-

- i. the write-off on the basis of merits is allowed by the Reserve Bank or by the AD Category – I banks on behalf of the Reserve Bank, as per the extant guidelines;
- ii. the exporter produces a certificate from the Foreign Mission of India concerned, about the fact of non-recovery of export proceeds from the buyer; and
- iii. this would not be applicable in self-write-off cases.

The above relaxation is applicable for the exports made with effect from August 27, 2009.

3. It is clarified that since the Drawback scheme is governed by the provisions of the Customs Act, 1962 and the Rules made there under, the provisions contained in para. 2.25.4 of the Handbook of Procedure – Vol. I. of the Foreign Trade Policy (FTP) (2009-2014) would not be applicable to the Duty Drawback scheme. Therefore, the drawback amount has to be recovered even if the claim is settled by the Export Credit Guarantee Corporation of India Limited (ECGC) or the write –off is allowed by the Reserve Bank.

4. Accordingly, the AD Category –I banks are advised not to insist on the surrender of the proportionate export incentives, other than under the Duty Drawback scheme, if availed of, by the exporter under any of the Export Promotion Schemes under the FTP 2009-14, subject to the fulfilment of conditions as stated in Para 2 above.

5. AD – Category I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

This document has been compiled as service to our clients. We recommend that you seek professional advise prior to initiating action on specific issues.

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6. The directions contained in this Circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

RBI/2010-11/123

G. Jaganmohan Rao
Chief General Manager

Annex
[Annex to A.P. (DIR Series) Circular No.03 dated July 22, 2010]

**Extract of Para. 2.25.4 of the Handbook of Procedure – Vol. I –
2009 – 2014 of Foreign Trade Policy (FTP)**

"Realization of export proceeds shall not be insisted under any of the Export Promotion Schemes under this Foreign Trade Policy (FTP), if the Reserve Bank of India (RBI) writes off the requirement of realization of export proceeds on merits and the exporter produces a certificate from the concerned Foreign Mission of India about the fact of non-recovery of export proceeds from the buyer. However, this would not be applicable in self-write off cases."

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