No. K-43022/7/2020-SEZ (3145523)
Government of India
Ministry of Commerce & Industry
Department of Commerce
(SEZ Section)

Udyog Bhawan, New Delhi
Dated the 29 April, 2020

To,

All Development Commissioners
Special Economic Zones.

Subject : Important operational issues pertaining to Special Economic Zones (SEZs) / Export Oriented Units (EOUs) during the prevailing lockdown for COVID-19 -reg.

Sir,

I am directed to refer to the operational issues raised and discussed during the interactive sessions held with the stakeholders across the SEZs and EoUs between 01.04.2020 to 10.04.2020 and to say that Department of Commerce has taken up various issues with the other concerned departments also. The inputs received so far from the DGFT, Ministry of Corporate Affairs and Reserve Bank of India are as follows:

Sl. No.	Issues raised by the stakeholders	Comments of concerned Department
	Issues pertaining to DGFT	
1	In view of increase in the input costs and logistics for effecting exports becoming harder, revision in the MEIS and SEIS compensation may be increased by at least 2% for 2020-21.	In view of the envisaged transition of MEIS to RoDTEP in the short term, any revision in MEIS rates is not feasible now. Further, Gems & Jewellery sector has never been covered under MEIS.
2	5% additional export incentives may be given for one year to those units, which do not claim MEIS.	
3	MEIS may be granted to exporters of diamond studded jewellery.	
4	The MEIS scheme benefits may not be denied merely because of some procedural issues in respect of Shipping Bills at the time of export.	DGFT has desired that exact procedural difficulty may be explained to them.
5	MEIS script may be made usable for non EDI Port/SEZ and applicable in respect of deemed manufacturers as well as FTWZ exports.	Scripts issued from SEZ port cannot be used at any other non EDI/SEZ port, because the integration of the ICEGATE and SEZ database is not complete for a two way data transmission. FTWZ exports are not eligible for MEIS as per current policy provisions.
6	Services Export Incentive Scheme (SEIS) may be extended to cover more services under SAC including software and units operating in International Financial Services Centre (IFSC) SEZ.	Increasing the coverage to such services under SEIS is not feasible because of budget constraints.
7	Policy issues pertaining to FTWZ : Merchandise Exports from India Scheme (MEIS) Scheme applicability: The Foreign Trade Policy 2015-20 has been extended till 31.03.2021, however the benefits of MEIS to DTA manufacturers/exporters	As per policy provisions, exports made by FTWZ units is not eligible for MEIS. Further, In view of the envisaged transition of MEIS to RoDTEP in the short term, any expansion in MEIS coverage is not feasible now. There is no misconception in the Policy provisions, Exports through FTWZ, but by a FTWZ unit is still ineligible.

	who supplies products through Indian FTWZ is still unavailable, inspite of the fact that MEIS has nowhere been denied for exports made through FTWZ. This misconception arises from the ineligible category under Para 3.06 (ii) of FTP-2015-20 which ONLY restricts the benefit of MEIS for the supplies made from DTA to SEZ Unit and NOT to FTWZ. Hence, a clarification/direction to grant MEIS is sought.	
8	Transport and Marketing Assistance (TMA) for Specified Agriculture Products of DoC which expired on 31.03.2020 may be extended for another year period.	DGFT has informed that validity of TMA scheme has been extended for one year i.e. upto 31.03.2021 as per DoC's notification No. 17/3/2018-EP(Agri.IV) dated 17.03.2020 **(copy enclosed).**
9	MEIS incentive to be granted based on shipping bill (Incentive to be paid within 15 days of physical export based on shipping bill filed) with a condition to pay back the amount with interest in case of non-realization of export proceeds rather than based on e-BRC.	The MEIS scheme provides for a Duty Credit Scrip only after the payment is realized. The suggested mechanism to issue MEIS without e BRC is not feasible. Further, in light of the difficulty being faced by the industry in realization of export proceeds, the RBI has extended the period under which export proceeds has to be received from 9 months to 15 months.
10	MEIS for apparel industry mostly covered under Chapter 61, 62 and 63 has been kept suspended for a few months now. With neither release of the same nor any other announcement of incentives, the Apparel industry has requested for relief in terms of the MEIS benefits.	Pursuant to the Ministry of Textiles notification dated 14.01.2020, a special one-time additional ad-hoc incentive of upto 1% of Free On Board (FoB) value is being provided for those exports of apparel and made-ups (items under chapter 61, 62 and 63) which may receive lesser benefits under Rebate of State and Central Taxes and Levies (RoSCTL) as against Rebate of State Levies (RoSL) plus Merchandise Exports from India Scheme (MEIS) for exports in the period 07.03.2019 to 31.12.2019. As per the notification, MEIS also stands withdrawn from 07.03.2019 for apparel and made-ups.
11	Further MEIS claims rejected for units not declaring their intent in the Shipping Bills, should be released by DGFT.	Under the procedural provisions, as in the HBP 2015-20 para 3.14 (a) (i) for EDI Shipping Bills, Marking/ ticking of "Y' (for Yes) in "Reward" column of shipping bills against each item is mandatory and is sufficient to declare intent to claim rewards under the scheme. In case the exporter does not intend to claim the benefit of reward under Chapter 3 of FTP exporter is required to tick "N' (for No). The "N" marked shipping bills do not pass the Risk Management System of Customs ports at the time of exports and the data for these shipping bills is not transmitted by ICEGATE Server to DGFT server. Further, the absence of declaration of intent has no relation to the COVID-19 issue. Therefore, such shipping bills without a declaration of intent cannot be considered for MEIS.
12	Government should consider support in terms of an additional MEIS at least 5% on all exports for one year i.e. during the period 1st April, 2020 till 31st March, 2021. This will not only ensure that the units retain our export markets, but it will also help prevent factories getting closed in the country and help reduce the adverse impact of economic disruption caused by this epidemic.	Vide the trade Notice 03/202-21 dated 15.04.2020, it has been notified that MEIS will continue till 31.12.2020. A proposal to extend it till 31.03.2021 is under consideration in the DGFT. However, in view of the transition of MEIS to RoDTEP, the request of providing an additional 5% to all exports is not feasible at this stage.
13	MEIS license against export from SEZ is issued in physical form unlike electronic form issuance for DTA unit. Therefore, it	The data of the scrips which are being issued from SEZs is not exchanged and not integrated with the Customs Server. The scrips issued by the SEZs can be made electronic, if the SEZ

	creates lot of inconveniences and also it fetches lower premium in the market due to lesser demand. Therefore, electronic license may be issued even for SEZ exports also.	server is integrated with the Customs Server for transmission of data from SEZs to Customs Server.
	Issues pertaining to Ministry of Corporate Affairs	
14	Companies Act, 2013 may be relaxed so that companies requiring implementation of IND-AS may be deferred for a period of one year and permission be granted for extension of financial year end from 31st March 2020 to 30th June 2020 and last date of holding of Annual General Meetings may be shifted to 9 months from the end of the financial year.	MoCA has informed that all the eligible companies (except Banks and Insurance Companies) have already adopted Ind AS and submitting their accounts and taking the benefit of adaptability of their accounts at global stage. Therefore, the request of deferment of Ind AS implementation does not arise. Any such deferment for already adopting companies would vitiate the principle of presentation of financial statements on consistent and comparable basis from one period to another period of the same entity and also among entities within same industry segment as well. Such deferment would impact the comparability of financial statements of companies in India with their global counter parts, hence not feasible. The matter of extension of financial year from 31st March, 2020 to 30th June, 2020, is primarily to be dealt with by the Ministry of Finance. However, no such extension should be considered as it would likely to have various severe and far reaching consequences. The Companies Act, 2013 empowers the Registrar of Companies to extend the time of AGM for three months and therefore, there is no need to shift the last date of AGM to 09 months from the end of financial year. Moreover, MoCA vide General circulars no. 14/2020 dated 8/4/2020 and 17/2020 dated 13.4.2020 have already allowed companies to conduct extraordinary general meetings (EGM) on matters requiring urgent decision of the shareholders, through video conference (VC) or other audio visual means (OAVM).
	Issues pertaining to RBI	
15	Relaxation in EDPMS and IDPMS compliance during the lockdown period and six months thereafter.	Authorized Dealers/Banks have delegated powers to consider the requests for extension of realisation of exports proceeds as also permit delayed import payments. Further, the timeline for enforcing automatic caution listing has already been deferred till September 30, 2020.
16	Extend period of pre-shipment export credit to 360 days as there may be delay in execution of orders post lockdown	It is advised that Scheduled Commercial Banks (SCBs) are allowed to extend pre-shipment export credit for a maximum period of 360 days, from date of advance. The period for which a packing credit advance may be given by a bank will depend upon the circumstances of the individual case, such as the time required for procuring, manufacturing or processing (where necessary) and shipping the relative goods / rendering of services. It is primarily for the banks to decide the period for which a packing credit advance may be given, having regard to the various relevant factors so that the period is sufficient to enable the exporter to ship the goods / render the services. If pre-shipment advances are not adjusted by submission of export documents within 360 days from the date of advance, the advances will cease to qualify for prescribed rate of interest for export credit to the exporter ab initio. These instructions are contained in para 1.1.2 of Master Circular- 'Rupee /Foreign Currency Export Credit and Customer Service To Exporters' issued vide DBR No. DIR.BC.14/04.02.002/2015-16 dated July 1, 2015 which is available on RBI's website www.rbi.org.in under the head 'Notifications'.

17	Foreign Currency and Forward Contracts: Due to Covid effect, the CCL unit may not be in a position to receive the export proceeds timely and also may not have sufficient foreign currency earnings as expected in normal course taken into consideration while booking the Forward Contracts. Hence on FC maturity date, allow the exporters to wind up the Forward Contract(s) at booking rate instead of depreciated rate. Provide Moratorium to Exporters to cover the hedging liabilities of forward contracts that couldn't be executed due to the lockdown effect	As per current regulation, Forward contracts can be freely cancelled at the discretion of the customer. As cancellation means that the customer (i.e. the exporter in this case) is not able to deliver the foreign currency into the contract, the Bank has to cover his position by buying the foreign currency from the market at the current market rate (which is likely to be different from the contract) and share any gain/loss due to the difference between the two rates with the customer. It would, therefore, not be possible to permit the exporters to wind up forward contracts at the booking rate.

2. This issues with the approval of the Competent Authority for kind information and necessary action by all the Development Commissioners.

Yours faithfully,

29/4/20

Enclos: As above

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Copy to :

1. Shri Saroj Behera, Additional director, DGEP, Department of Revenue for kind perusal and observations, if any, especially i.r.o. point no. 13 of the table.
2. Shri Vijay Gupta, Vice President, NSDL Data Base Management System for kind perusal and observations i.r.o. point no. 13 of the table.