



Benefit under FTP for service providers – SEIS scheme

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Introduction

SEIS [Services Export Incentive Scheme] is one of the export incentive scheme of DGFT in chapter 3 of Free Trade Policy 2015-20 of India. This scheme aims to incentivize service exporters of India with the objective to encourage and maximize export of notified services from India. A large number of service providers have not been claiming this benefit due to either lack of awareness or have doubts on it being sanctioned easily. It is available in normal course in most parts of India except for some officers still working in opaque manner seeking rent. Under the present regime this may also disappear/ reduce drastically as it did in the VAT & service tax.

Ethical professionals could escalate to the next level and DGFT at Delhi if they are faced with any difficulty.

Eligibility

Service providers of notified services, located in India, shall be rewarded under SEIS. Only services rendered in the manner as per Para 9.51(i) and Para 9.51(ii) of this policy shall be eligible. The notified services and rates of rewards are listed in Appendix 3D

Such service provider should have minimum net free foreign exchange earnings of US\$15,000 in year of rendering service to be eligible for Duty Credit Scrip. For Individual service providers and sole proprietorship, such minimum net free foreign exchange earnings criteria would be US\$10,000 in year of rendering service

Payment in Indian rupees for service charges earned on specified services, shall be treated as receipt in deemed foreign exchange as per guidelines of Reserve Bank of India. The list of such services is indicated in Appendix 3E.



Net Foreign Exchange = Gross Earnings of Foreign Exchange minus Total expenses / payment / remittances of Foreign Exchange by the IEC holder, relating to service sector in the financial year.

In order to claim reward under the scheme, service provider shall have to have an active IEC at the time of rendering such services for which rewards are claimed

Ineligible categories under SEIS

Foreign exchange remittances other than those earned for rendering of notified services would not be counted for entitlement. Thus, other sources of foreign exchange earnings such as equity or debt participation, donations, receipts of repayment of loans etc. and any other inflow of foreign exchange, unrelated to rendering of service, would be ineligible.

Further DGFT also clarified via trade notice that, supplies by DTA unit to SEZ units are not considered for SEIS scheme and also services of software development export are not eligible under this scheme which is an immense surprise. The commerce ministry should immediately rectify this anomaly as the infra structure used by that industry is the same as it is for other service providers!!

Conditions

Transfer of export performance from one IEC holder to another IEC holder shall not be permitted. Thus, a shipping bill containing name of applicant shall be counted in export performance / turnover of applicant only if export proceeds from overseas are realized in applicant's bank account and this shall be evidenced from e - BRC / FIRC.

Utilization of the scrip

SEIS scrip can be utilized / debited for payment of custom duties in case of EO defaults for Authorisations issued under Chapters 4 and 5 of Foreign Trade Policy. Such utilization /usage shall be in respect of those goods which are permitted to be imported



under the respective reward schemes. However, penalty / interest shall be required to be paid in cash.

Duty credit scrips can also be used for payment of composition fee under FTP, for payment of application fee under FTP, if any and for payment of value shortfall in EO under Para 4.49 of HBP 2015-20.

The scrips is freely transferable in the open market.

Audit/Examination by DGFT

Regional Authority may call for original documents in selected cases for further examination in detail. In case any discrepancy and/ or over claim is found on such examination, the applicant shall be under obligation to rectify such discrepancy and/or refund over claim in cash with interest at the rate prescribed under section 28 A A of the Customs Act 1962, from the date of issue of scrip in the relevant head of account of customs within one month. The original holder of scrip, however, may refund such over claim by surrendering the same scrip whether partially utilized or fully unutilized, without interest.

If an applicant is found to have mis-declared the Item description under any ITC HS Code, appropriate action under FT (D&R) Act, would be taken. It would be the responsibility of applicant to maintain such documents, certificate etc. for a period of at least three years from the date of issuance of scrips or the completion of scrutiny under Risk Management System (RMS) initiated by the RA whichever is later.

Professional Opportunities

The professionals with knowledge of the FTP could provide services to industry as under:

1. Identify the services where FTP benefits are available,
2. Ensure that timely & proper application is made and followed up,



3. Provide explanation if any for officers of DGFT,
4. In case of delays claim the interest,
5. Represent in case of rejection,
6. Conduct a review of the claims and amounts obtained whether in line with the policy to avoid any demands later. [This could be part of the indirect tax review audit – covering Customs, FTP and GST]

Special thanks to Venkatnarayan G M for penning this article. For any further queries/comments please write to venkat@hiregange.com.

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