CHANGES IN EXTERNAL TRADE PROCEURE

DECEMBER 4

VMV S RAO & CO.,
Chartered Accountants

Logo
Name

Four important procedural announcements by RBI for exports sectors:

1. Direct Dispatch of Shipping Documents

Presently, AD Category – I banks (AD banks) are permitted to regularise cases where dispatch of shipping documents was made by the exporter directly to the consignee or his agent if the amount per export shipment is up to USD 1.0 million or its equivalent. It has been decided to remove the monetary ceiling to enable AD banks to regularise such cases, where export proceeds have been realised, irrespective of the value of export shipment.

2. Write off" of Unrealised Export Bills

Currently, AD banks are permitted to allow write-off of unrealised export bills up to a certain limit beyond which AD bank has to approach the Reserve Bank for approval. The extant process governing write-off of unrealised export bills has been reviewed with a view to simplify the procedure, reduce the time taken for according such approvals, thereby reducing the regulatory cost. Accordingly, it has been decided to delegate the power of allowing write-off to the AD banks, without limits in specified circumstances, viz., cases where overseas buyer has become insolvent or the settlement of the export proceeds to be received has happened through the Indian Embassy, Foreign Chamber of Commerce or similar organisations or if the goods had been destroyed by the Port/Customs/Health authorities in the importing country. Further, AD bank will be permitted to handle such write-off requests even if documents had been directly dispatched by the exporter.

3. Set-off of Export Receivables against Import Payables

It has been decided to permit AD banks to allow Indian companies to set-off their export receivables against import payables in respect of goods and services with their overseas group/associate companies either on net basis or gross basis through a centralised treasury arrangement or otherwise. Besides, such requests can be acceded to by AD banks in respect of the same overseas buyer/supplier if backed by a legally enforceable contract/agreement, subject to adherence to Foreign Trade Policy. Such net-off can be permitted only when the export and import legs have taken place during the same calendar year.

4. Refund of Export Proceeds

Presently, if refund of export proceeds to the overseas importer is required to be made due to poor quality of the goods exported, the same is permitted by the AD bank through whom export proceeds were received, subject to re-import of the goods. On a review, it has been decided to allow AD banks to consider refund requests without insisting on import of goods, which are perishable in nature or had been auctioned/destroyed by the Port/ Customs/ Health authorities/ any other accredited agency in the importing country subject to production of documentary evidence.

Source: RBI
Statement on Developmental and Regulatory Policies dt.04/12/2020