

**Highlights of Foreign Trade Policy 2004-2009**  
**(Released on 31 August 2004 - Effective from 1 September 2004)**

**Export of goods**

- ❖ New scheme called 'Target Plus Scheme' introduced. Exporters to be entitled to duty free credit based on incremental exports for 2004-05. For incremental growth of over 20 per cent, 25 per cent and 100 per cent, the duty free credits would be 5 per cent, 10 per cent and 15 per cent of Free on Board (FOB) value of incremental exports.
- ❖ Duty Entitlement Pass Book (DEPB) scheme to be continued until a new scheme is drawn up in consultation with exporters.
- ❖ Scheme of categorization of status holders as 'Star Export Houses' rationalized and categories from 'One Star Export House' to 'Five Star Export House' introduced.

**Export of services**

- ❖ Duty Free Credit Entitlement Certificate (DFEC) Scheme for service providers revamped /re-cast into the **Served from India** Scheme.
- ❖ Capital goods including spares, office equipment and professional equipment, office furniture and consumables for use in main line of business eligible for import against DFEC.
- ❖ Individual service providers who had foreign exchange earnings of at least INR 5 lakhs in the preceding financial year and other service providers who had foreign exchange earnings of at least INR 10 lakhs in the preceding or current financial year, to be eligible for a duty credit entitlement of 10 per cent of foreign exchange earned by them in the preceding financial year.
- ❖ Healthcare and Educational Institutions also eligible for duty credit entitlement.
- ❖ Exclusive Services Export Promotion Council to be set up.
- ❖ Government to promote establishment of Common Facility Centres for use by home-based service providers, particularly in areas like engineering and architectural design, multi-media operations, software developers etc., in State and District-level towns.
- ❖ Requirement of installation certificate from Central Excise Office done away with in case of imports of movable capital goods by service providers under Export Promotion Capital Goods (EPCG) Scheme.

**Common for export of goods and services**

- ❖ EPCG licence can also be used for import of capital goods for supply to specified notified projects
- ❖ Import of second-hand capital goods to be permitted without any age restrictions. Minimum depreciated value for plant and machinery to be re-located into India reduced from Rs.50 crores to Rs.25 crores.
- ❖ All exporters with minimum turnover of Rs.5 crores and good track record to be exempt from furnishing bank guarantee in any of the schemes.
- ❖ All goods and services exported, including those from Domestic Tariff Area (DTA) units, to be exempt from Service Tax (*Notification from Finance Ministry is awaited*).
- ❖ Export Oriented Units (EOUs) to be exempted from Service Tax in proportion of export of goods and services (*Notification from Finance Ministry is awaited*).
- ❖ EOUs to be permitted to retain 100 per cent of export earnings in Export Earners Foreign Currency (EEFC) accounts.

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- ❖ Income Tax benefits on plant and machinery to be extended to DTA units, which convert to EOU.
- ❖ Biotechnology Parks to be set up and granted all facilities of 100 per cent EOUs.
- ❖ Facility of filing digitally signed applications and use of Electronic Fund Transfer Mechanism for paying application fees made available to exporters.
- ❖ Validity of all licences/entitlements issued under various schemes modified to a uniform period of 24 months.

**Free Trade and Warehousing Zone**

- ❖ New scheme for establishment of Free Trade and Warehousing Zone (FTWZ) having minimum outlay of INR100 crores and five lakh sq. mts. built up area introduced to create trade-related infrastructure to facilitate import and export of goods and services.
- ❖ Foreign Direct Investment (FDI) up to 100 per cent in the development and establishment of the zones and their infrastructural facilities to be allowed.
- ❖ Other benefits as applicable to units in Special Economic Zones (SEZs) to also be applicable to FTWZs.

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