

Exporters concerned over DGFT's move to block MEIS claims

Indian exporters have raised concern about the recent move by the DGFT to block online module for accepting applications for benefits under the Merchandise Exports from India Scheme (MEIS) scheme. MEIS is the reward scheme under which DGFT allocates duty credit scrips to exporters to the extent of 2% to 5% of the export value of their goods. These scrips can be used to pay customs duties for import of raw materials or other inputs.

On July 23, 2020, DGFT blocked its online system for accepting shipping bills from exporters to claim benefits under the MEIS scheme as the total issuance of scrips under this scheme has been capped at Rs. 9,000 crore for the current financial year. It is learnt that Ministry of Finance has advised Commerce Ministry to allocate MEIS scrips within this limited amount of Rs. 9,000 crore for the current year.

The reason why the Ministry of Finance decided to limit allocation of MEIS scrips to Rs. 9,000 crore in the current financial year is not known. The Ministry may have decided to limit the issuance of this scrip considering that the scheme has not produced remarkable results in terms of growth in exports. MEIS scheme was launched in 2015 under the Foreign Trade Policy 2015-20 to incentivize exports. The government's revenue foregone because of duty exemption under this scheme increased more than three-fold from Rs. 11,909 crore in 2016-17 to Rs. 40934 crore in 2019-20. However, India's merchandise exports have grown hardly from USD 275 billion to USD 313 billion during this period.

Given this directive from the Finance Ministry, it is expected that the Commerce Ministry may allocate the limited MEIS scrips to only those exporters who can demonstrate growth in export volume. Media reports suggest that the Commerce Ministry may request the Finance Ministry to reconsider its decision to limit the issuance of MEIS scrips as it may hurt exporters who are already reeling from the liquidity strain of the COVID crisis.

Exporters want the government to remove the cap on issuance of MEIS scrips as they argue that they have already factored in the MEIS incentive while pricing their export orders. Therefore, if the government does not provide this benefit for the existing export orders, it will affect their margins adversely.

Notifications

Daily Bulletin on COVID 19

<https://pib.gov.in/PressReleasePage.aspx?PRID=1641856>

DGFT

Amendment in Export Policy of PPEs

<https://content.dgft.gov.in/Website/dgftprod/e576fbb1-b0f9-4276-913e-cab13010b16b/Noti%2021%20Eng.pdf>