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Services Export from India Scheme (SEIS)

MAKE IN INDIA

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ABOUT US

- ❖ Indirect tax law – Litigation / Advisory / Audits / Compliances
- ❖ Founded and led by Partners having experience in leading firms (LKS / Big 4s)
- ❖ Team of more than 40 people
- ❖ More than 100 Corporates/MNCs across various sectors.
- ❖ Knowledge partner of PHD Chamber , Webtel Electrosoft etc

What is Foreign Trade Policy ?

Foreign Trade Policy

- The foreign trade policy is essentially a set of guidelines for the import and export of goods and services
- These are established by the Directorate General of Foreign Trade (DGFT), the governing body for the promotion and facilitation of exports and imports under the Ministry of Commerce and Industry

Contents of FTP

- There are total 9 chapters in Foreign Trade Policy
- SEIS has been mentioned in Chapter - 3

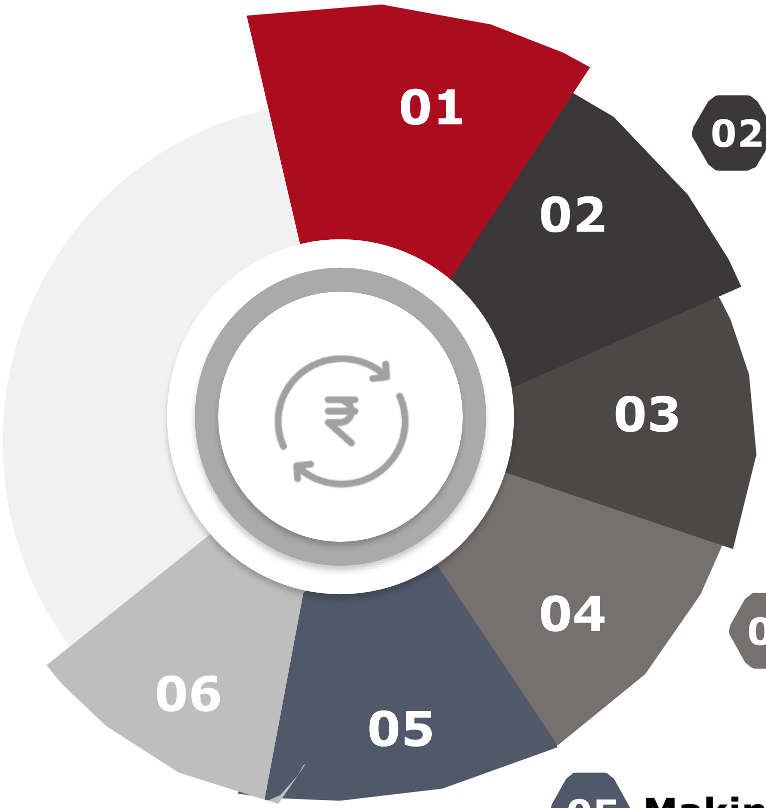
Objectives of FTP

The main aim is not the mere earning of foreign exchange, but encouraging greater economic activity

1. To enable substantial growth in exports from India.
2. To increase India's share in global trade.
3. To improve the balance of payment and trade.
4. To act as an effective instrument of economic growth by creating employment opportunities for the citizens.
5. To provide for easy access to essential raw materials for production and other components, consumables, and capital goods required for increasing production and providing efficient services.
6. To raise the technological capacity for production and cost-effectiveness of industry and services, thereby improving their competitive strength in comparison to other countries, and to encourage the accomplishment of internationally accepted standards of quality.

Objectives of FTP (Contd.)

01 To provide buyers or clients with high-quality goods and services at globally competitive rates and quality



02 Creation of opportunities by engaging in good and ethical practices.

03 Accelerating the economy from low-level economic activities to high-level economic activities by making it a globally oriented and vibrant economy

04 To derive maximum benefits from expanding the global market and seizing the best opportunities available

05 Making policies that favor ease of doing business and e-governance

06 To allow for hassle-free transactions for both import and export

What is SEIS Scheme and objectives?

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- An incentive given by the Ministry of Commerce through the Directorate General of Foreign Trade (DGFT) to Service Exporters based in India
- SEIS was introduced on 1st April 2015 under the Foreign Trade Policy (FTP) 2015-20. Foreign Trade Policy 2015-2020 (FTP) was notified by the Central Government, in exercise of powers conferred under section 5 of the Foreign Trade (Development & Regulation) Act, 1992
- FTP 2015-20 was earlier valid till 31 March 2020. However, due to the COVID-19 outbreak, the validity of FTP has been extended till 31 March 2021 and now up to 30th Sept 2021
- Earlier, this Scheme was named as Served from India Scheme (SFIS Scheme) during the period 2009-14
- Objective is to boost and maximize the export of notified/selected Services from India
- Under the scheme, Exporters of selected services are entitled to a 3% / 5% / 7% incentive on the Net Foreign Exchange (NFE) earned in the form of Duty Credit Scrips

What is Duty Credit Scrip?

SEIS Incentives/Rewards are given in the form of Duty Credit Scrip (DCS)

It is also known as SEIS Scrip or SEIS License

These scrips are issued by DGFT only

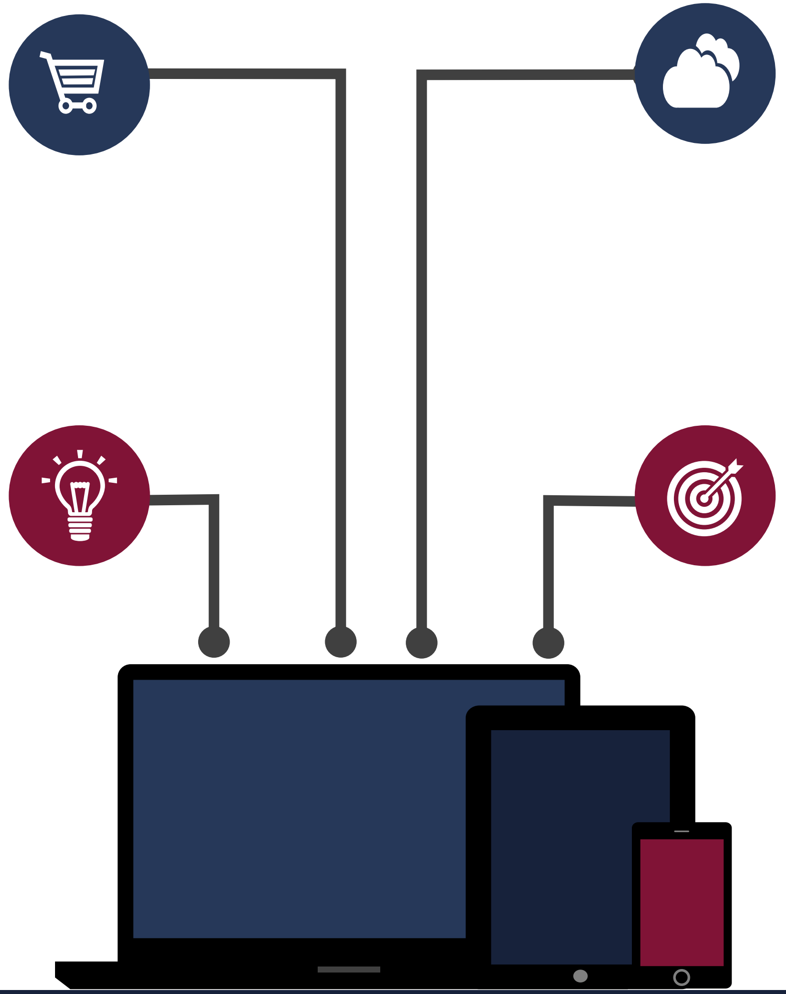
It is a document that allows the entitled holder to discharge Customs Duty levied on the import of various goods

The SEIS Scrips are "Freely Transferable" in nature. It means that these scrips can be encashed in open market by selling it to any Importer/person who can utilize for payment of duties. Therefore, it is as good as cash equivalent Incentive Scheme

What is Duty Credit Scrip (Contd.)

These Scrips cannot be used for payment of GST

Further, on sale in the open market, the same is treated as Exempt. Reversal of ITC is required in terms of CGST Rules for common inward supplies



<u>Validity of Duty Credit Scrips</u> : 24 months from date of issue and must be valid on date on which actual debit of duty is made. Revalidation of DCS shall not be permitted unless validity has expired while in custody of Customs Authority / Regional Authority (RA)

<u>Denomination</u> – Duty Credit Scrips can be single or it can be split into multiple DCS as per the applicant's discretion (subject to a minimum multiple of Rs 5 Lacs). For Example, If amount of reward is Rs.50 Crore, the Applicant can apply for 10 DCSs of Rs. 5 Crore each

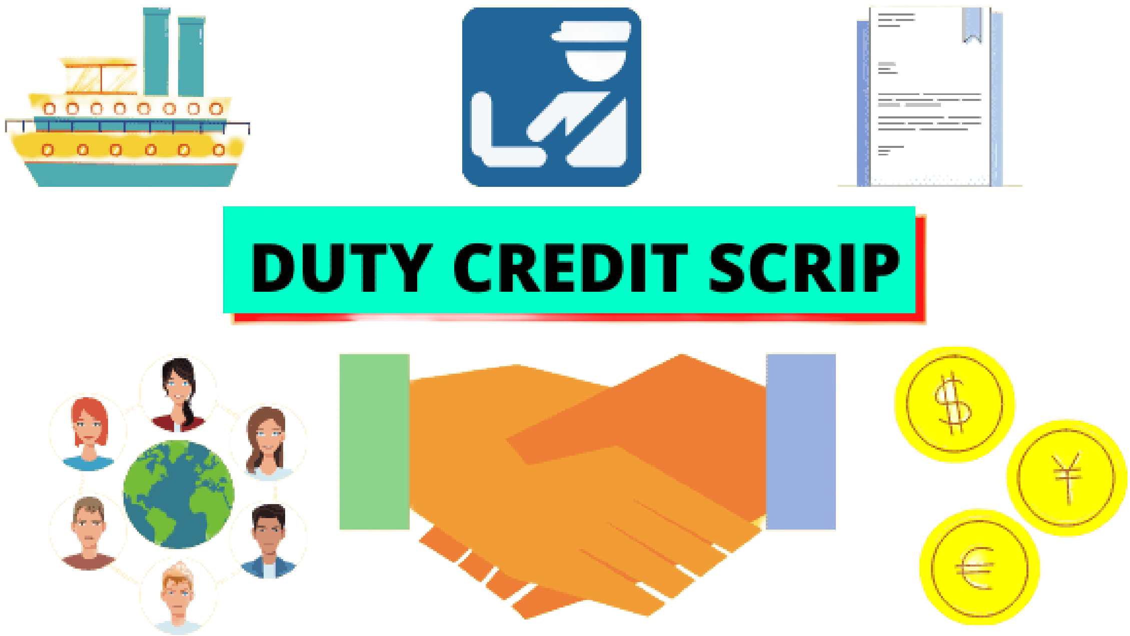
How Duty Credit Scrips Look?

Directorate General of Foreign Trade

(This is a system generated Authorisation/License/Scrip issued to the applicant. No Authorization on security paper is required to be issued. It may be used for information purpose only.)

LICENCE/AUTHORISATION/SCRIP : (SEIS)

Name of Office issuing Authorisation	[redacted]
Name	[redacted]
Address of Applicant	[redacted]
IEC	[redacted]
Exporter Type	None
Exporter Status	None
Transferable/Actual User	Transferable
File Number	[redacted]
Licence/Authorisation/Scrip No. and Date of Issue	[redacted]
FOB Value (In Rs.)	49,537,476.78
DUTY CREDIT in Rs.	1,659,702.56 (Indian Rupees Sixteen Lakh Fifty Nine Thousand Seven Hundred Two and PAISE Fifty Six only)
Port of Registration	Delhi Air Cargo (INDEL4)
Validity of Authorisation / Scrip for Import	02.12.2022
Custom Notification Number & Date	025/2015 Dated : 08.04.2015
Currency Area	GCA
Utilization/Transferability	The Transferability and Utilisation of Scrip issued under SEIS shall be governed as per para 3.02 of FTP 2015-20



Eligibility Criteria

- ✓ **As Per Para 3.08 of FTP, Service Providers of eligible services, located in India, shall be entitled to DCS at notified rates (as given in Appendix D) on NFE earned**
- ✓ **Only services rendered in the manner as per Para 9.51 (i) and Para 9.52 (ii) are eligible**

Eligibility	**Eligible Services**		**ineligible Services**	
Nature of Services	Cross Border Trade (Supply of Service from India to any other Country)	Consumption Abroad (Supply of a Service from India to the Service consumer of any other country currently in India)	Commercial Presence (Supply of a Service from India through Commercial presence in any other Country)	Presence of Natural Person (Supply of a Service from India through the presence of natural persons in any other Country)
Examples	An Indian Consultant prepares an organization analysis for a USA based client and communicates the same via email.	An American client visits India and uses the services of a consultancy firm.	An Indian consultancy firm establishes an office in USA.	An Indian Consultant provides his services by visiting a client in USA.

Eligibility Criteria (Contd.)

01

Import Export Code (IEC) – For claiming reward, the Service provider must have an active IEC at all the times including the time of rendering of such services for which rewards are claimed

02

Should have the valid Registration cum Membership Certificate (RCMC) issued by the competent board or authority

03

In case an IEC holder is a manufacturer of goods as well as service provider, then the foreign exchange earnings and Total expenses / payment / remittances shall be taken into account for service sector only

04

Have minimum net free foreign exchange earnings of US$15,000 in financial year. For Individual Service Providers and sole proprietorship, such minimum net free foreign exchange earnings criteria would be US$10,000 in financial year

05

Payment in Indian Rupees for service charges earned on specified services (Listed in Appendix 3E – Maritime Transport Services, Air Transport services, Ground Handling etc.) to be treated as receipt in deemed foreign exchange

06

The notified services and rates of rewards are listed in Appendix 3D

Meaning of NFE and Reward Rates

What is Net Foreign Earning (NFE) ?

Net Foreign Earnings = Gross Foreign Exchange Earnings - Total Foreign Exchange Payments/ Remittances/ Expenses of Foreign exchange by the IEC holder relating to service sector in the concerned FY

What are the Reward Rates ?

- ❑ Reward Rates are the % to be computed on the NFE for the specified services
- ❑ These rates are mentioned in Appendix 3D prescribed under Para 3.08 of the FTP
- ❑ Classification of services to governed by Central Product Classification code of UN classification of Services (CPC code)

Ineligible Categories under SEIS

- All the remittances received for providing Services that are not a part of appendix 3D, will not be considered for benefit
- This remittance precisely means that all other sources of foreign exchange earnings like equity or debt participation, donations, loan repayment receipts, etc. which are not related to the Services provided, will not be considered
- It should be noted that the entitlement calculation under SEIS will not involve the following Services :-

Remittances of Foreign Exchange received for:

A. Under the Financial Services Sector

- Raising loans of all types in foreign currency
- Realization of Export proceeds of clients
- Use of ADRs/GDRs/other instruments for issuance of Foreign Equity
- Foreign Currency Bonds Issuance
- Selling Securities and other Financial Instruments
- Other types of receivables which are entirely different from the Services which are rendered by the financial institutions

Ineligible Categories under SEIS (Contd.)

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B. Under Regular/ Contractual employment in a foreign country

- Payments which are received from the EEFC Account for various Services
- Equity participation, donations, etc. or any other kind of foreign exchange turnover by the Healthcare Institutions
- Export turnover relating to services of units operating under SEZ / EOU / EHTP / STPI / BTP Schemes or supplies of services made to such units
- Clubbing of turnover of services rendered by SEZ / EOU /EHTP / STPI / BTP units with turnover of DTA Service Providers
- Exports of Goods
- Foreign Exchange earnings for services provided by Airlines, Shipping lines service providers plying from any foreign country X to any foreign country Y routes not touching India at all
- Service providers in Telecom Sector

Time Limits to Apply SEIS benefits

- ✓ In order to claim the benefit under SEIS, application must be filed within 12 months from the end of financial year of the claim period
- ✓ Application is filed on annual basis as per the Financial Year
- ✓ It is to be noted that the application can be filed after the aforesaid period however in that case a small late cut shall be applied (as per Para 9.02 of the HBP). Herein below is a table to understand the imposition of late cut which prescribes the rates:-

PARTICULARS	LATE CUT RATE TO BE IMPOSED	NET ELIGIBILITY
Application received after the expiry of last date but within six months from the last date	2%	98%
If Application is being received after 6 months but before 1 year from the last date of filing	5%	95%
If Application is being received after a period of 12 months but before 2 year from the last date of filing	10%	90%

Documents to be Submitted with the DGFT Authorities

Application needs to be filed online in form ANF-3B (using DSC) on the DGFT portal with relevant documents. Post filing, unique ID/Acknowledgement no is generated which needs to be submitted along with other documents in hard form

- **Copy of Active Importer Exporter Code (IEC Code)**
- **Application in form ANF-3B (Aayat Niryat Form)**
- **CA/CS/CWA Certificate**
- **Self–Certified copy of export invoices, agreements depicting scope of work and payment terms and BRCs/FIRC's**
- **DGFT Digital Signature Certificate (DSC)**
- **Copy of Registration cum Membership certificate (RCMC)**
- **Necessary Declarations**

Documents to be Submitted with the DGFT Authorities (Contd.)

1. **Reconciliation Statement showing the nexus between Invoices and FIRC's**
2. **Write up of Services**
3. **Certificate from international credit card companies, if applicable**
4. **Authority Letters in favor of Authorized Representatives**
5. **Board Resolution of the Company in favor of person signing documents**
6. **Copy of Annual Audit Report and Financials**

Steps Involved in preparation of SEIS Application

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1. Sharing the list of information/documents required for filing the application
2. Review of information/documents as collated by the Company
3. Review of Foreign Inward Remittance Certificates ('FIRC')/Bank Realization Certificate (BRC) against the relevant invoices and providing our comments thereof
4. Assistance in providing the workings for the purpose of Chartered Accountant's ('CA') certification
5. Assistance in preparation of application along with requisite annexures
6. Assistance in filing of online application followed by submission of documents in hard copies

Documents required from Client for Working/Filing of Form ANF-3B

1) Revenue Summary/ Turnover Summary (in excel) matching with the Financials so as to identify the relevant export invoices
2) Copy of relevant export invoices, agreements governing those export invoices and BRCs/FIRCs evidencing receipt of convertible foreign exchange wrt the said export invoices
3) Details of payments made to persons outside India wrt the import of services which have been utilized fully or partially in export of services
4) Reconciliation of export invoices with the corresponding receipts in convertible foreign exchange

Steps for Preparation of Eligible Refund Amount

Step - 1:- Refining the Data Received from Client

The first step would be to eliminate entries from Revenue Register which are ineligible for SEIS benefits on some reasonable basis. Reasonable basis here can be several factors which are mentioned below :-

a) **Removal of entries which do not relate to invoices but are GL entries, Accrued income entries etc.**
b) **Remove - Invoices which have been issued in INR i.e. other than foreign currency (subject to Appendix 3E services)**
c) **Remove - Invoices for sale of goods**
d) **Remove - Invoices against which credit notes have been issued either in the current FY or succeeding FY**
e) **Remove - Cancelled Invoices**
f) **Remove - Reimbursements receipts**

Steps for Preparation of Eligible Refund Amount (Contd.)

Step - 2 :- Eligible Export Invoices are Separated from All Export Invoices

Now after eliminating the ineligible entries we have to look for discrepancies in the eligible data (if any). Those discrepancies can be of the following nature :-

I. Duplicate invoices
II. Invoices issued in foreign currency but money is received in INR – Please check
III. Invoice issued but full or part payment not received – Undertake reconciliation of export invoices with FIRCs/BRCs with due consideration to TDS provisions

- In such cases, only consider those export invoices for which full or part payment is received
- Our next step would be to undertake physical verification of invoices - Amount depicted in Revenue register should match with the physical invoices
- Type of services depicted in invoices should match with the scope of work mentioned in the respective agreements/SOW – Capture the said description of services as mentioned in the invoices and agreements

Steps for Preparation of Eligible Refund Amount (Contd.)

Step - 3 :- Classification of Services as per CPC Code

Evaluate the type of services provided in terms of the invoices issued and respective agreements. This should be correlated with the categorization as provided under the Central Product Classification code of UN classification of Services (CPC code).

The main purpose of identifying these services is to ascertain the category of services provided under CPC which will then be correlated with Appendix 3D, which specifies the rates of rewards. Also, we have to mention the 5 digit CPC code which is to be ascertained from the Central Product Classification based on services provided by the client.

Step - 4 :-Identify the Expenses incurred to earn Foreign Exchange

Payment Sheet – Identify the FC expenses which are incurred for making export of services. If some common expenses are incurred for domestic as well export of services, then the total expenses can be considered for SEIS application

Steps for Preparation of Eligible Refund Amount (Contd.)

Step- 5 :-Calculation of Eligible Refund amount under SEIS Scheme

Once the expenses relating to export of services are identified, then the next step is to identify the relevant category of services exported in respect of which such expense was incurred. If the same spread over to more than 1 category or it is not practically possible to identify, then the expenses needs to be bifurcated on pro rata basis as per the turnover.

- Export invoices – Date of invoices and on net basis
- Import invoices – Payment made and on gross basis
- Main currency – USD
- Convert the export incomes and expenses denominated in FC other than USD into USD by using the Conversion rate as per Customs Notification considering the date of invoice/remittance
- Thereafter convert into INR by using the exchange rate of 1st April immediately after the relevant FY

Last Step – Preparation of Form ANF-3B with annexures, CA Certification and Declarations for filing purposes

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Q & A time

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