

SERVICE EXPORTS FROM INDIA SCHEME



In today's globalised world, foreign trade is a crucial factor contributing to the economic growth of a country. Its primary objective is not only to earn foreign exchange, but also to enhance the country's economic activity. In India, the government formulates the Foreign Trade Policy with the principal aim of promoting exports and facilitating foreign trade.

India's Foreign Trade Policy 2015-2020 (FTP), unveiled on 1 April 2015, introduced innovative schemes for rewarding exporters while at the same time relaxing the conditions and rationalising the coverage of existing schemes.

Traditionally, FTP schemes focused on promoting the export of goods, which was achieved through the exemption of indirect taxes on exports and by providing incentives such as the grant of duty credit scrips. However, with the phenomenal growth of the service sector, the current FTP was reengineered to incentivise the export of services as well.

FOREIGN TRADE POLICY 2015-2020: FAVOURING THE SERVICE SECTOR

- 'Served from India Scheme' (SFIS), which covered only specified sectors, was abolished with effect from 30 June 2015.
- A new scheme, 'Service Exports from India Scheme' (SEIS), was introduced from 1 April 2015.
- Applications are to be filed on an annual basis from 1 April 2016.
- Service exports from India are incentivised by granting duty credit scrips.
- SEIS is also extended to units located in Special Economic Zones (SEZs).
- Key conditions and procedures are rationalised.
- The scope of eligible services for duty credit scrips is widened.
- There are more options for utilising duty credit scrips.
- Duty credit scrips are now freely transferable.
- Duty credit scrips are available on the supply of services to any country.
- Payments in Indian rupees (INR) will be treated as a receipt in deemed foreign exchange with respect to specified services.

INCENTIVES FOR SERVICE EXPORTERS

Immediate savings in payment of taxes

The scheme grants duty credit scrips ranging from 3–5% of the Net Foreign Exchange (NFE) earned. These scrips can lead to substantial savings in cash outflows when used against the payment of various duties and taxes, which include the payment of:

- customs duty for the import of goods, except certain prohibited items;
- excise duties on domestic procurement of inputs and capital goods;
- service tax on procurement of services; and
- duties in case of default in export obligations under various schemes.

Fully transferable

Duty scrips under the SFIS scheme were not transferable except among group companies. Duty scrips under SEIS have now been made freely transferable, facilitating immediate monetisation.

Additional benefit over and above service tax provisions

Other benefits available to service exporters under service tax provisions such as rebates, refunds, etc. would continue. This scheme is an additional benefit.

Validity

A duty credit scrip is valid for a period of 18 months from the date of issue. Hence, tax payments over the 18 months can be done through scrips.

KEY CONDITIONS FOR AVAILING SEIS

Minimum NFE earnings

Service providers should have minimum NFE earnings of USD 15,000 in the preceding financial year (FY) to be eligible for duty credit scrips. (For individual service providers and sole proprietorships, the minimum NFE criterion is relaxed to USD 10,000 in the preceding FY).

*NFE = Gross earnings of foreign exchange – Total expenses/payment/remittances of foreign exchange by the Importer Exporter Code (IEC) holder relating to the service sector in the FY**

**If the Importer Exporter Code (IEC) holder is a manufacturer and service provider then the foreign exchange earnings and total expenses/payment/remittances of foreign exchange only towards the service sector shall be taken into account.*

Services exported should be covered within the list of notified services

The exported services should fall within the ambit of the services as notified in Appendix 3D of the FTP. Some of the services covered are:

- Professional services: Taxation, legal, accounting, engineering, medical, etc.
- Advertising, technical testing, manpower placement, education, maritime transport, tourism, management consulting, maintenance and repairs, cargo handling, etc.
- Leasing: Ships, aircraft, machinery, research and development, etc.

ACTION POINTS

- Check whether the exported services are covered under the scheme
- Check whether the minimum NFE criteria is fulfilled
- Compute the potential benefits that would accrue under the scheme
- Plan a strategy for making a successful application within applicable timelines
- Optimise duty scrip utilisation
- Undertake periodic compliances

OUR SERVICES

Given that duty credit scrips are as good as cash, the SEIS has immense potential to enhance the financial strength of a company. Thus, as an exporter of services, it is critical to assess the eligibility of benefits under the scheme.

At SKP, our strong talent pool and focused approach in the indirect tax field enable us to provide end-to-end solutions and comply with the various aspects of SEIS including:

DETERMINE the eligibility under SEIS for the services exported by the service provider, which includes the following:

- Understand the services provided by the company;
- Ascertain whether those are covered in the list of notified services;
- Evaluate whether all the conditions for claiming benefits under the scheme are met;
- Verify documents for applying to the scheme;
- Conduct cost benefit analysis; and
- Compute the potential benefits that would accrue to the company.

PREPARE and file applications for claiming benefits

EVALUATE the most efficient mode of utilising SEIS duty credit scrips

UNDERTAKE periodic compliances and filings once the duty scrip is obtained

ASSIST with the sale of duty scrips in the open market

WHY SKP?

- Over 50 years of experience in taxation, offering wide-ranging business insights to Indian and multinational clients in conducting tax studies, compliances, litigation support, refund claims and implementation of accounting systems in line with applicable taxes.
- Over 1,000 team members including chartered accountants, cost accountants, lawyers and management professionals, offering industry-wide specialised experience across various fields.
- Regular knowledge partners with prestigious organisations such as NASSCOM, CII and other bilateral chambers of commerce
- Our indirect tax team has trained over 2,000 government employees in indirect taxation.
- Hands-on experience in handling FTP matters.

ABOUT US

SKP is a long established and rapidly growing professional services group located in seven major cities across India. We specialise in providing sound business and tax guidance and accounting services to international companies that are currently conducting or initiating business in India as well as those expanding overseas. We serve over 1,200 active clients including multinationals, companies listed on exchanges, privately held and family-owned businesses from more than 45 countries.

From consulting on entry strategies to implementing business set-up and M&A transactional support, the SKP team assists clients with assurance, domestic and international tax, transfer pricing, GST, corporate services, and finance and accounting outsourcing matters, all under one roof. Our team is dedicated to ensuring clients receive continuity of support, right across the business lifecycle.

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