

Interest Rate Surcharge on Import Finance

**RESERVE BANK OF INDIA
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IECD.No.16 /08.14.01/99-2000

May 25, 2000

The Chairman and Managing Director/
Chief Executives of all commercial banks

Dear Sir,

Interest Rate Surcharge on Import Finance

As banks are aware, the scheme of levying interest rate surcharge on import finance was withdrawn with effect from October 29,1999 in terms of instructions contained in Circular IECD.No.4/08.14.01/99-2000 dated October 29,1999. In the context of the developments in the foreign exchange markets as also the overall monetary and credit situation, it has been decided to reintroduce, as a temporary measure, interest rate surcharge of 50 per cent of the actual lending rate on bank credit for imports with immediate effect i.e. from May 26, 2000. The following categories of bank credit for imports will, however, be exempt from the levy of interest rate surcharge:

- (a) Export Packing Credit provided at concessive rate of interest to meet the cost of imported inputs.
- (b) Import of capital goods by bona fide borrower-importers under valid Licences issued under the Export Promotion Capital Goods Scheme (EPCG Scheme).
- (c) All bona fide imports including import of capital goods by Export-Oriented Units (EOUs) and units in the Export Processing Zones (EPZs).
- (d) All bona fide imports under Advance Licences granted for import of "Inputs" such as raw materials, intermediates, components, etc., by either the original holder or a transferee (if

transferred under an endorsement of the Directorate General of Foreign Trade enabling such transfer).

(e) All bona fide imports against the credit under the Duty Entitlement Pass Book (DEPB) Scheme contained in the EXIM Policy 1997-2002.

(f) Bulk Imports in respect of crude oil, petroleum products, fertilisers, edible oils and other essential commodities imported through Government Agencies, and

(g) Import of crude oil by private and joint sector refineries for actual use in their own refineries.

Please acknowledge receipt.

Yours faithfully,

-sd-

(S.S.Gangopadhyay)
Chief General Manager