

## **Master Circular – Import of Goods and Services into India**

EC.CO. PCD.No.19/15.02.76/2001-02

August 17, 2001

To all Authorised Dealers in Foreign Exchange

Sirs,

### **Master Circular – Import of Goods and Services into India**

As you are aware Foreign Exchange Management Act, 1999 has been introduced with effect from June 1, 2000. In terms of Section 5 of the Act, any person may sell or draw foreign exchange to and from authorised person under current account transaction. However, Central Government has been empowered to impose certain restrictions for current account transactions in public interest and in consultation with Reserve Bank. Accordingly, Government of India issued Notification No. G.S.R.381(E) dated May 3, 2000 as amended vide its Notification No.S.O. 301(E) dated March 30, 2001. A copy of the Notification (as amended upto March 30,2001) is annexed.

2. Reserve Bank had issued various circulars containing directions for authorised dealers for import of goods and services into India.
3. In order to enable the Authorised Dealers (ADs) to have all the existing instructions on the subject of **“Import of Goods and Services into India”** as on July 1, 2001, at one place, this Master Circular has been prepared.
4. Any contravention or non-observance of the directions consolidated in this circular will be liable to be proceeded against under the provisions of the Act.

Yours faithfully,  
(Grace Koshie)  
Chief General Manager

### **Master Circular for Import of Goods and Services into India**

#### **Contents**

- |                 |  |
|-----------------|--|
| <b>Part I</b>   | <b>Introduction</b>  |
| <b>Part II</b>  | <b>Foreign Exchange Management ( Current account Transactions Rules)</b> |
| <b>Part III</b> | <b>Import of Goods and Services</b>                                      |

**Section A**

- A.1 General
  - A.2 Import Licences
  - A.3 Obligation of purchaser of foreign exchange
  - A.4 Manner of Rupee payment
  - A.5 Letters of authority
  - A.6 Form A-1
  - A.7 Imports financed in Rupees
  - A.8 Endorsement on Import licences
  - A.9 Import licences for c.i.f value
  - A.10 Surrender of import licences
  - A.11 Advance remittance
  - A.12 Time limit for settlement of import payments
  - A.13 Interest on import bills
  - A.14 War risk insurance/bunker/congestion surcharge/premium for extended insurance
  - A.15 Imports under penalty
  - A.16 Remittances against replacement imports
  - A.17 Guarantee for replacement import
  - A.18 Evidence of import
  - A.19 Follow up by authorised dealers
  - A.20 Precautions for handing import documents
  - A.21 Receipt of import bills/documents
  - A.22 Postal imports
  - A.23 Import of gold/platinum/silver by nominated banks/agencies
  - A.24 Import of films on lease/rental basis
  - A.25 Import factoring
  - A.26 Import of gold/silver and jewellery
- Section B** Merchenting trade
- Section C** Import of currency

**PART I****Introduction**

Import trade is regulated by the Directorate General of Foreign Trade (DGFT) and its regional offices, functioning under the Ministry of Commerce and Industries, Department of Commerce, Government of India. Policies and procedures required to be followed for imports into India are announced by the DGFT from time to time. Authorised dealers may, therefore, sell foreign exchange or transfer rupees to non-resident account towards payment for imports into India, from any foreign country, in conformity with the Export-Import Policy in vogue and the Rules framed by the Government of India and the Directions issued by Reserve Bank from time to time under the Act.

2. Attention of authorised dealers is invited to the Government of India Notification No.G.S.R.381(E) dated May 3, 2000, notifying the Foreign Exchange Management (Current Account Transactions) Rules, 2000, in terms of which drawal of exchange for certain current account transactions has been prohibited and restrictions have been placed on certain other

transactions. In terms of Rule 4 *ibid*, the transactions specified in Schedule II to the said Notification require prior approval of the Government of India and in terms of the Rule 5, the transactions specified in Schedule III to the Notification require prior approval of the Reserve Bank. Authorised dealers may follow directions contained in Part III while dealing with applications relating to import of goods and services into India. It is further clarified that the Directions contained in this Circular should be read with the Rules notified by the Government of India, Ministry of Finance, vide Notification dated May 3, 2000, as amended from time to time and annexed as Part II of this circular.

3. Authorised dealers should follow normal banking procedures and the provisions of Uniform Customs and Practices for Documentary Credits (UCPDC), etc., while opening letters of credit for import into India on behalf of their customers. In respect of import of drawings & designs, importers may be advised to submit certificate or undertaking regarding compliance with the Research and Development Cess Act, 1986. An undertaking, in the prescribed format, regarding payment of Income Tax or a No Objection Certificate from Income Tax authorities, wherever required under the extant provisions of the Act, should be obtained in case of remittances relating to import of services and drawings and designs into India.

## **Part II**

### **NOTIFICATION**

New Delhi, the 3rd May 2000

(as amended by the Notification No S.O. 301(E) dated March 30,2001)

G.S.R.381(E).--In exercise of the powers conferred by Section 5 and sub-section (1) and clause (a) of sub-section (2) of Section 46 of the Foreign Exchange Management Act, 1999, and in consultation with the Reserve Bank, the Central Government having considered it necessary in the public interest, makes the following rules, namely :---

**1. Short title and commencement.**---(1) These rules may be called the Foreign Exchange Management (Current Account Transactions) Rules, 2000;

(2) They shall come into effect on the 1st day of June, 2000.

**2. Definitions.**---In these rules, unless the context otherwise requires :

(a) "Act" means the Foreign Exchange Management Act, 1999 (42 of 1999);

(b) "Drawal" means drawal of foreign exchange from an authorised person and includes opening of Letter of Credit or use of International Credit Card or International Debit Card or ATM Card or any other thing by whatever name called which has the effect of creating foreign exchange liability;

(c) "Schedule" means a schedule appended to these rules;

(d) The words and expressions not defined in these rules but defined in the Act shall have the same meanings respectively assigned to them in the Act.

**3. Prohibition on drawal of Foreign Exchange.**---Drawal of foreign exchange by any person for the following purpose is prohibited, namely :

- (a) a transaction specified in the Schedule I; or
- (b) a travel to Nepal and/or Bhutan; or
- (c) a transaction with a person resident in Nepal or Bhutan.

Provided that the prohibition in clause (c) may be exempted by RBI subject to such term and conditions as it may consider necessary to stipulate by special or general order.

**4. Prior approval of Govt. of India.**---No person shall draw foreign exchange for a transaction included in the Schedule II without prior approval of the Government of India :

Provided that this Rule shall not apply where the payment is made out of funds held in Resident Foreign Currency (RFC) Account of the remitter.

**5. Prior approval of Reserve Bank.**---No person shall draw foreign exchange for a transaction included in the Schedule III without prior approval of the Reserve Bank;

Provided that this Rule shall not apply where the payment is made out of funds held in Resident Foreign Currency (RFC) Account of the remitter.

**6 (1)** Nothing contained in Rule 4 or Rule 5 shall apply to drawal made out of funds held in Exchange Earners' Foreign Currency (EEFC) account of the remitter.

(2) Notwithstanding anything contained in sub-rule (1), restrictions imposed under Rule 4 or Rule 5 shall continue to apply where the drawal of foreign exchange from the Exchange Earners Foreign Currency (EEFC) Account is for the purpose specified in items 10 and 11 of Schedule II, or item 3, 4, 11, 16 & 17 of Schedule III as the case may be.

**Schedule I**  
**(See Rule 3)**

1. Remittance out of lottery winnings.

2. Remittance of income from racing/riding etc. or any other hobby.
3. Remittance for purchase of lottery tickets, banned/proscribed magazines, football pools, sweepstakes, etc.
4. Payment of commission on exports made towards equity investment in Joint Ventures/ Wholly Owned Subsidiaries abroad of Indian companies.
5. Remittance of dividend by any company to which the requirement of dividend balancing is applicable.
6. Payment of commission on exports under Rupee State Credit Route.
7. Payment related to "Call Back Services" of telephones.
8. Remittance of interest income on funds held in Non-Resident Special Rupee( Account) Scheme.

**Schedule II  
(See Rule 4)**

<b>Purpose of Remittance</b>	<b>Ministry/Department of Govt. of India whose approval is required</b>
1. Cultural Tours	Ministry of Human Resources Development, (Department of Education and Culture)
2. Advertisement in foreign print media , for the purposes other than promotion of tourism, foreign investments and international bidding (exceeding US\$ 10,000) by a State Government and its Public Sector Undertakings	Ministry of Finance, (Department of Economic Affairs)
3. Remittance of freight of vessel chartered by a PSU	Ministry of Surface Transport, (Chartering Wing)
4. Payment of import by a Govt. Department or a PSU on c.i.f. basis (i.e. other than f.o.b. and f.a.s. basis)	Ministry of Surface Transport, (Chartering Wing)
5. Multi-modal transport operators making remittance to their agents abroad	Registration Certificate from the Director General of Shipping
6. Remittance of hiring charges of transponders	Ministry of Finance, (Department of Economic Affairs)

7. Remittance of container detention charges exceeding the rate prescribed by Director General of Shipping Ministry of Surface Transport (Director General of Shipping)
8. Remittances under technical collaboration agreements where payment of royalty exceeds 5% on local sales and 8% on exports and lump-sum payment exceeds US\$ 2 million Ministry of Industry and Commerce
9. Remittance of prize money/sponsorship of sports activity abroad by a person other than International/National/State Level sports bodies. If the amount involved exceeds US\$ 100,000 Ministry of Human Resources Development (Department of Youth Affairs and Sports)
10. Payment for securing Insurance for health from a company abroad Ministry of Finance, (Insurance Division)
11. Remittance for membership of P & I Club Ministry of Finance, (Insurance Division)

**Schedule III**  
**(See Rule 5)**

1. Remittance by artiste e.g. wrestler, dancer, entertainer etc. (This restriction is not applicable to artistes engaged by tourism related organisations in India like ITDC, State Tourism Development Corporations etc. during special festivals or those artistes engaged by hotels in five star categories, provided the expenditure is met out of EEFC account).
2. Release of exchange exceeding US\$ 5,000 or its equivalent in one calendar year, for one or more private visits to any country (except Nepal and Bhutan).
3. Gift remittance exceeding US\$ 5,000 per remitter/donor per annum.
4. Donation exceeding US\$ 5000 per remitter/donor per annum.
5. Exchange facilities exceeding US\$ 5,000 for persons going abroad for employment.

6. Exchange facilities for emigration exceeding US\$ 5,000 or amount prescribed by country of emigration.
7. Remittance for maintenance of close relatives abroad,
  - (i) exceeding net salary (after deduction of taxes, contribution to provident fund and other deductions) of a person who is resident but not permanently resident in India and is a citizen of a foreign state other than Pakistan.
  - (ii) Exceeding US\$ 5,000 per year, per recipient, in all other cases.

*Explanation: For the purpose of this item, a person resident in India on account of his employment of a specified duration (irrespective of length thereof) or for a specific job or assignment; the duration of which does not exceed three years, is a resident but not permanently resident.*

8. Release of foreign exchange, exceeding US\$ 25,000 to a person, irrespective of period of stay, for business travel, or attending a conference or specialised training or for maintenance expenses of a patient going abroad for medical treatment or check-up abroad, or for accompanying as attendant to a patient going abroad for medical treatment/check-up.
9. Release of exchange for meeting expenses for medical treatment abroad exceeding the estimate from the doctor in India or hospital/doctor abroad.
10. Release of exchange for studies abroad exceeding the estimate from the institution abroad or US\$ 30,000, per academic year, whichever is higher.
11. Commission to agents abroad for sale of residential flats/commercial plots in India, exceeding 5% of the inward remittance.
12. Short term credit to overseas offices of Indian companies.

13. Remittance for advertisement on foreign television by a person whose export earnings are less than Rs.10 lakhs during each of the preceding two years.
14. Remittance of royalty and payment of lump-sum fee under the technical collaboration agreement which has not been registered with Reserve Bank.
15. Remittance exceeding US\$ 100,000/= per project, for any consultancy service procured from outside India
16. Remittances for use and/or purchase of trade mark/franchise in India.
17. Remittance exceeding US\$100,000/=, by an entity in India by way of reimbursement of pre-incorporation expenses.

**Part III**  
**Section A**  
**IMPORT OF GOODS AND SERVICES**

**A.1 General**

For Exchange Control purposes, rupee accounts maintained in India by citizens of India, Nepal & Bhutan, residents in Nepal & Bhutan, as well as Indian, Nepalese and Bhutanese firms, companies or other organisations, including banks functioning in these countries, are regarded as resident accounts and rupee transfers to such accounts, for imports into India (or for any other purpose), may be made freely, without reference to the Reserve Bank. In terms of Rule 3 of the Government of India Notification No G.S.R. 381(E) dated May 3, 2000, sale of foreign exchange for current account transactions with persons resident in Nepal and/or Bhutan, or against import into these countries made by residents in India, is prohibited.

**A.2 Import Licences**

Authorised dealers should not open letters of credit or allow remittances for import of goods included in the negative list requiring licence for imports under the EXIM Policy in force, unless the importer submits a licence marked 'For Exchange Control Purposes'. Special conditions, if any, attached to such licence should strictly be adhered to while opening letters of credit or making remittances.



### **A.3 Obligation of Purchaser of Foreign Exchange**

- (i) In terms of Section 10(6) of the Foreign Exchange Management Act, 1999 (FEMA), any person acquiring foreign exchange is permitted to use it either for the purpose mentioned in the declaration made by him to an authorised dealer under Section 10(5) of the Act or to use it for any other purpose for which acquisition of exchange is permissible under the said Act, or Rules or Regulations framed thereunder.
- (ii) Where foreign exchange acquired has been utilised for import of goods into India the authorised dealer should ensure that importer furnishes an evidence of import to his satisfaction, as laid down in paragraph A.18.
- (iii) In case payment for import is made by way of credit to non-resident account of the overseas exporter or by way of credit to resident account of a non-resident bank, authorised dealer should ensure compliance with sub-paragraph (i) and (ii) above.
- (iv) The Directions contained in this paragraph are also applicable where payment for imports into India is made through ACU mechanism.

### **A.4 Manner of Rupee Payment**

Payments for retirement of bills drawn under letters of credit as well as bills received from abroad for collection against imports into India, must be received by authorised dealers, irrespective of amount, by debit to the account of the importer maintained with themselves or by means of a crossed cheque drawn by the importer on his other bankers. Payments against bills, under no circumstances, should be accepted in cash.

### **A.5 Letters of Authority**

Authorised dealers may open letters of credit or make remittances where the Exchange Control (EC) copy of the relative import licence has been issued in the name of a party other than the applicant, provided the applicant produces a letter of authority obtained from the import licence holder in his favour authorising him, inter-alia, to open letters of credit or make remittances for payment towards import under the licence (subject to the terms and conditions, if any, stipulated in this regard in the EXIM Policy in force). Authorised dealers may also open letters of credit or make remittances towards imports permitted without licences on behalf of authorised agents of importers, after satisfying themselves by reference to the EXIM Policy in force that the importers are permitted to utilise services of agents for the imports in question. In all such cases, the responsibility for production of the Customs Bill of Entry, wherever required, will rest on the letter of authority holder or agent.

### **A.6 Form A 1**

Applications by persons, firms and companies for making payments towards imports into India must be made on form A1. Variants of this form have been devised in different colours to be used for -

- (i) remittance in foreign currency,
- (ii) transfer of rupees to non-resident bank accounts, and
- (iii) remittance through Asian Clearing Union.

Care should be taken to ensure that duly filled in A1 form in appropriate format has been obtained.

### **A.7 Imports Financed in Rupees**

Directions contained herein are also applicable to imports which are financed in rupees and payment for which is made by crediting rupees to a non-resident account in India or to a rupee account maintained by a non-resident bank.

### **A.8 Endorsement on Import Licences**

- (i) Authorised dealers should note to endorse on the 'Exchange Control Copy' of import licences, under their stamp and signature, the details of letters of credit opened or forward contracts booked or remittances made in foreign currency as also the amount of insurance and freight paid by the importer locally in rupees, wherever licences have been obtained by importers.
- (ii) Authorised dealers may likewise endorse on the 'Exchange Control Copy' of the import licence the value of the back-to-back inland letters of credit opened by them on behalf of duty free licence holders (including transferees) as required in terms of the relevant provisions of the EXIM Policy in force.

### **A.9 Import Licences for c.i.f. Value**

- (i) Import licences are normally issued for the c.i.f. value of the goods to be imported. Import licences cannot be used to the full amount in cover of f.o.b. cost of the goods leaving insurance and freight to local agent of the supplier, as additional charges to be paid in rupees over the amount specified in the import licence.
- (ii) Importers sometime enter into contracts on f.o.b. terms and agree to the suppliers paying for the freight to be reimbursed to them along with the cost of the goods. Authorised dealers in such cases should, before making the remittance of freight charges, ascertain the actual freight amount paid with reference to the original freight bill or memo issued by the shipping company or the amount stated on the relative bill of lading.

### **A.10 Surrender of Import Licences**

Exchange Control copy of the import licence submitted by importer for opening of L/C or making remittance when fully utilised, should be retained by authorised dealers and may be preserved till scrutiny by the internal audit or inspection is completed.

#### **A.11 Advance Remittance**

Authorised dealers may allow advance remittance for import of goods without any ceiling subject to the following conditions :

- (a) the importer should hold the EC copy of a valid import licence if the goods to be imported requiring licence for import under the EXIM Policy in force;
- (b) remittance is made direct to the suppliers;
- (c) if the amount of advance remittance exceeds U.S.\$25,000 or its equivalent, a guarantee from an international bank of repute situated outside India or a guarantee of an authorised dealer in India, if such a guarantee is issued against the counter-guarantee of an international bank of repute situated outside India, should be obtained. An unconditional standby L/C from an international bank of repute situated outside India may also be accepted in lieu of bank guarantee provided it is irrevocable, non-transferable and lists out full particulars of the transactions and there is a clear provision for prompt payment being received in convertible currency in an approved manner. The validity of the guarantee /letter of credit should adequately cover the period for the purpose of enforcing payment;
- (d) physical import of goods into India should be made within three months (twelve months in case of capital goods) from the date of remittance and the importer should give an undertaking to furnish documentary evidence of import within fifteen days from the close of the relevant period. Authorised dealers, if satisfied with the request, may allow extension of time for import not exceeding one month (three months in case of capital goods). In cases where the advance remittance has been made against a bank guarantee, the guarantee should be suitably amended, if need be, to cover the extended period for import of goods into India; and
- (e) authorised dealer should ensure that in the event of non-import of goods, the amount of advance remittance is repatriated to India or is utilised for any other purposes for which release of exchange is permissible under the Act, Rules or Regulations made thereunder, to the satisfaction of the authorised dealer.

#### **A.12 Time Limit for Settlement of Import Payments**

(i) In terms of the extant Rules, remittances against imports should be completed not later than six months from the date of shipment. Accordingly, deferred payment arrangements involving payments beyond a period of six months from the date of shipment are treated as external commercial borrowings which require **prior** approval of the Reserve Bank/Government

of India {cf: Regulation 5 (3) of Reserve Bank Notification No. FEMA 3/2000-RB dated May 3, 2000}. There would, however, be no objection to importers withholding amounts not exceeding 15 per cent of the cost of goods towards guarantee of performance, etc. Authorised dealers may make remittances of amounts so withheld, provided the earlier remittance had been made through them. No payment of interest is permissible on such withheld amounts.

(ii) Sometimes, settlement of import dues may be delayed due to disputes, financial difficulties, etc. Authorised dealers may make remittances in such cases even if the period of six months has expired, provided -

- (a) authorised dealer is satisfied about the genuineness of the circumstances leading to the delay in payment; and
- (b) no payment of interest is involved for the additional period. However, in cases where the overseas supplier insists on payment of interest, it may be allowed in accordance with the provisions contained in paragraph A.13, upto a maximum period of 60 days beyond 180 days from the date of shipment provided the import bill is paid within that period.

**NOTES:**

- A. *In case of import bills negotiated under letter of credit and retired by importer after expiry of six months from the date of shipment of relative goods, settlement of the payment would be deemed to be completed within six months from the date of shipment if reimbursement was made to the overseas bank within that period,*
- B. *Remittances against import of books may be allowed without restriction as to time limit, provided no interest payment is involved nor has the importer forgone any part of the discount/ rebate normally allowed to importers towards compensation for delay in settlement of dues.*

**A.13 Interest on Import Bills**

(i) Authorised dealers may make remittances on account of interest accrued on usance bills under 'normal interest clause' or of overdue interest payable on sight bills for a period not exceeding six months from the date of shipment in respect of imports without prior approval of Reserve Bank.

*NOTE : Interest under 'normal interest clause' would mean interest at the 'prime' rate (or its equivalent) of the country in the currency of which the goods are invoiced or LIBOR for the currency.*

(ii) In case of pre-payment of usance import bills, remittances may be made only after reducing the proportionate interest for the un-expired portion of usance at the rate, according to the contract, at which the interest has been claimed for the usance period or the prime rate or

LIBOR of the currency in which the goods have been invoiced , whichever is applicable. Where interest is not separately claimed, remittances may be allowed after deducting the proportionate interest for the un-expired portion of usance at the prevailing 'prime' rate/ LIBOR of the currency of invoice.

#### **A.14 War Risk Insurance/Bunker/Congestion Surcharge /Premium for Extended Insurance**

Authorised dealers may make remittances towards war risk insurance premium, bunker/congestion surcharge at foreign ports, premia for extended insurance cover, etc., which are incidental to imports.

#### **A.15 Imports under Penalty**

Authorised dealers may make remittances against goods imported without authority, but later allowed to be cleared by the Customs Authorities against payment of penalty, to the extent of c.i.f. value of the goods indicated on the relative Exchange Control copy of the Customs Bill of Entry evidencing imports of goods to India.

#### **A.16 Remittances against Replacement Imports**

(i) In case import of an item does not require licence under the Export -Import Policy in force and there is a need for remittance of foreign exchange for import of replacement goods for a defective item imported earlier, the remittance should be made after ensuring that there is no double payment for the same import.

(ii) Where goods are short-supplied, damaged, short-landed or lost in transit, the procedure laid down below should be followed for payment against replacement goods:

- (a) In cases where no letter of credit has been opened or remittances made, Exchange Control copy of the import licence may be automatically treated as valid for the replacement consignment, provided it is shipped within the validity period of the licence.
- (b) If the Exchange Control copy has already been utilised to cover the opening of a letter of credit against the original goods which have been lost, the original endorsement to the extent of the value of the lost goods may be cancelled by authorised dealers without reference to the Reserve Bank, provided the insurance claim relating to the lost goods has been settled in favour of the importer by remittance from abroad through an authorised dealer, if insurance was covered abroad and by local payment in rupees if insurance was covered in India. Payment for the replacement goods may then be made against suitable endorsement on the import licence subject to the conditions that the replacement consignment is shipped within the validity period of the licence.

- (c) If replacement goods are to be shipped after the expiry of import licence, the importer should be asked to apply to DGFT for replacement or for revalidation of the expired licence.

#### **A.17 A Guarantee for Replacement Import**

In case replacement goods for a defective import are being sent by the overseas supplier before the defective goods imported earlier are dispatched out of India, authorised dealers may issue guarantees at the request of importer clients for the despatch/return of defective goods, according to their commercial judgement.

#### **A.18 Evidence of Import**

(i) Obligations of purchaser of foreign exchange as contained in sub-section (6) of Section 10 of Foreign Exchange Management Act, 1999 are indicated in paragraph A.3, *ibid*.

(ii) In case of all imports, except import through couriers, where value of foreign exchange remitted/paid for import into India exceeds US \$ 5000 or its equivalent, it is obligatory on the part of authorised dealers through whom the relative remittance was made to ensure that the importer submits :-

- (a) the Exchange Control copy of the Bill of Entry for home consumption, or
- (b) in case of 100% Export Oriented Units the exchange control copy of the Bill of Entry for warehousing, or
- (c) Customs Assessment Certificate or Postal Appraisal Form as declared by the importer to the custom authorities, where import has been made by post, as an evidence that the goods for which the payment was made have actually been imported into India.

(iii) where imports are made in non-physical form, i.e., software or data through internet/dacom channels and drawings and designs through e-mail/fax a certificate from a Chartered Accountant that the software/data/ drawing/design has been received by the importer may be obtained.

*Note: Authorised dealers should advise importers to keep Custom authorities informed of the imports made by them under this clause.*

(iv) In respect of remittances for imports through courier services, authorised dealers should ensure submission of the Exchange Control copy of the Bill of Entry in case of imports valued at Rupees one lakh or more. Where the value of import is less than Rs. one lakh, authorised dealers may obtain from the importer, a copy of the Bill of Entry, in the prescribed form issued by the Customs in the name of registered courier, duly certified by the courier company indicating thereon the particulars of the consignment for which the copy has been issued.

(v) Authorised dealers should ensure that in all cases, including cases of advance remittance permitted in terms of paragraph A.11 above, evidence of import is submitted by their importer

customer and is duly verified. In respect of imports on D/A. basis, since goods would normally be cleared before the due date of payment, authorised dealers should insist on production of evidence of import at the time of effecting remittance of import bill. Authorised dealers should advise this requirement to their importer customer while delivering the documents against acceptance.

*NOTE: A. In respect of imports on D/A basis if importers fail to produce documentary evidence due to genuine reasons such as non-arrival of consignment, delay in delivery/customs clearance of consignment, etc., authorised dealers may, if satisfied with the genuineness of request, allow reasonable time not exceeding three months from the date of remittance to the importer to submit the evidence of import.*

(vi) Authorised dealers should in all cases acknowledge receipt of evidence of import e.g. Exchange Control copy of the Bill of Entry, Postal Appraisal Form or Customs Assessment Certificate, etc., from importers by issuing acknowledgement slips containing the following particulars:

- (a) importer's full name and address with code number ;
- (b) import licence number and date (wherever applicable);
- (c) bank's reference of letter of credit number ,etc., if any;
- (d) number and date of Exchange Control copy of the Bill of Entry/ Postal Appraisal Form or Customs Assessment Certificate and the amount of import ; and
- (e) particulars of goods imported.

(vii) Internal inspectors or auditors (including external auditors appointed by authorised dealers) should carry out 100 per cent verification of the documents evidencing import, e.g. Exchange Control copies of Bills of Entry or Postal Appraisal Form or Customs Assessment Certificate, etc.

(viii) Documents evidencing import into India received in terms of paragraph A.18(ii) above should be preserved by authorised dealers for a period of one year from the date of its verification as required under sub-paragraph (vii) above. However, in respect of cases which are under investigation by investigating agencies, the documents should be destroyed **only** after obtaining clearance from the investigating agency concerned.

#### **A.19 Follow up by Authorised Dealers**

(i) In case an importer does not furnish the document of evidence of import, as required under paragraph A.18, within 3 months from the date of remittance involving foreign exchange exceeding US\$5,000, the authorised dealer should rigorously follow-up for the next 3 months , including issue of registered letters to the importer ,for submission of an appropriate document as evidence of import.

(ii) Authorised dealers should forward to the Reserve Bank a statement on half yearly basis as at the end of June & December of every year, in form BEF (format enclosed) furnishing

details of import transactions, exceeding US\$5,000 in respect of which importers have defaulted in submission of an appropriate document evidencing import within 6 months from the date of remittance. The said half yearly statement should be submitted to the Regional Office of the Reserve Bank under whose jurisdiction the authorised dealer is functioning, within 15 days from the end of half year to which the statement relates.

**Note: A.** *In cases where at the time of advance remittance purpose of remittance was indicated as import and subsequently the exchange has been used for a purpose for which sale of exchange is permissible, and a document to the satisfaction of authorised dealer has been produced, such cases should **not** be treated as default and hence be excluded from the BEF statement.*

**B.** *Authorised dealers may accept Into Bond Bill of Entry as a provisional evidence of import into India. However, they may ensure submission of Exchange Control copy of the Bill of Entry for Home consumption within a reasonable period of time. Wherever Into Bond Bill of Entry has been submitted such cases need **not** be reported in BEF statement.*

#### **A.20 Precautions for Handling Import Documents**

Authorised dealers should exercise due care while handling import documents on collection basis on behalf of importer customers with reference to their line of business, financial standing, frequency of import, etc. to establish the genuineness of the import. In the case of bills involving large values, authorised dealers should satisfy themselves that the importer is known to be trading in items mentioned in the shipping documents or that the items are required for his actual use. In case of importers who are not their constituents, authorised dealers should, at the time of acceptance of the documents/making payment, call for detailed Certificate-cum-Report from their bankers in support of the genuineness of imports.

#### **A.21 Receipt of import Bills/Documents**

(i) Import bills and documents should be received from the banker of the seller by the banker of the buyer in India. Authorised dealers should not, therefore, make remittances where import bills have been received directly by the importers from the overseas seller, except in the following cases:

- (a) Where the value of import bill does not exceed U.S.\$ 10,000.
- (b) Import bills received by wholly-owned Indian subsidiaries of foreign companies from their principals.
- (c) Import bills received by Super Star Trading Houses, Star Trading Houses, Trading Houses, Export Houses, 100% Export Oriented Units/ Units in Free Trade Zones, Public Sector Undertakings and Limited Companies.
- (d) Where the value of import bill does not exceed U.S.\$ 25,000 in respect of import of -
  - (i) books and magazines



- (ii) life saving drugs/equipments by Hospitals, etc. and
  - (iii) imports by reputed research and other development institutions like Tata Institute of Fundamental Research, C-DOT, Indian Institute of Technology, Indian Institute of Science and Universities.
- (e) Import bills received by all limited companies viz. Public limited, public limited and private limited companies.

(ii) In all other cases, at the request of importer clients, authorised dealers may receive bills direct from the overseas seller up to U.S.\$ 25,000 (U.S. Dollars Twenty five thousand only), provided the authorised dealer is fully satisfied about the financial standing/status and track record of the importer customer. Before extending the facility, authorised dealer should obtain report on each individual overseas seller from the overseas banker or reputed credit agency.

## **A.22 Postal Imports**

Remittances against bills received for collection in respect of imports by post parcel may be made by authorised dealers, provided the goods imported are such as are normally despatched by post parcel. In these cases, the relative parcel receipts must be produced as evidence of despatch through the post and an undertaking to submit Postal Appraisal Form or Customs Assessment Certificate as evidence of import within three months from the date of remittance should be furnished by importers. If the parcel has already been received in India Postal Appraisal Form or Customs Assessment Certificate should be produced in support of the remittance application. Where goods to be imported are not of a kind normally imported by post parcel or where authorised dealer is not satisfied about the bonafides of the application, the case should be referred to the Reserve Bank for prior approval with full particulars together with relative parcel receipt/s and Postal Appraisal Form or Customs Assessment Certificate.

*NOTE: Authorised dealers may make remittances towards import of books by post parcel by book-sellers/publishers against bills received for collection, irrespective of the amounts involved, without prior approval of the Reserve Bank against endorsement on the import licence wherever applicable in the normal course. They may also make remittances even if import licences covering the imports have been issued subsequent to the date of import subject to endorsement on such licences.*

## **A.23 Import of Gold/Platinum/Silver by Nominated Banks/Agencies**

- (i) Import of Gold on Consignment basis

Gold may be imported by the nominated agencies/banks on consignment basis where the ownership of the goods will remain with the supplier and the importer (consignee) will be acting as an agent of the supplier (consignor). Remittances towards the cost of import shall be made as and when sales take place and in terms of the provisions of agreement entered into between the overseas supplier and nominated agency/bank.

## **(ii) Import of gold on unfixed price basis**

The nominated agency/bank may import gold on outright purchase basis subject to the condition that although ownership of the gold shall be passed on to the importer at the time of import itself, the price of gold shall be fixed later, as and when the importer sells the gold to the users.

NOTE: *Instructions contained in this paragraph would also apply to import of platinum and silver.*

## **A.24 Import of films on lease/rental basis**

Authorised dealers may allow remittance of rent, royalty, licence fee, profit, etc., in connection with import of cinematograph feature films and video films subject to the following conditions:

- (i) a 'No Objection Certificate' from Central Board of Film Certification, wherever required, has been submitted;
- (ii) a Chartered Accountant's certificate is produced indicating that the payment to overseas supplier is due and the amount sought to be remitted is in conformity with the terms of contract; and
- (iii) an undertaking/Certificate regarding payment of income-tax has been submitted.

## **A.25 Import factoring**

Authorised dealers may enter into arrangements with international factoring companies of repute, preferably members of Factors Chain International, without approval of the Reserve Bank. However, authorised dealers will have to ensure compliance with the extant exchange control directions relating to imports, EXIM policy in force and any other guidelines/directives issued by the Reserve Bank in this regard.

## **A.26 Import of Gold, Silver & Jewellery**

Gold brought by an NRI in accordance with the Export and Import Policy in vogue, is permitted to be sold to residents against payment in rupees. Authorised dealers should credit the amounts so received only to ordinary non-resident rupee (NRO) accounts of the concerned NRI seller.

## **Section- B**

### **Merchanting Trade**

Authorised dealers may take necessary precautions in handling merchant trade transactions or intermediary trade transactions to ensure that (a) goods involved in the transaction are permitted to be imported into India, (b) such transactions do not involve foreign exchange outlay for a period exceeding three months, and (c) all Rules, Regulations and Directions applicable to export out of India are complied with by the export leg and all Rules, Regulations and Directions

applicable to import are complied with by the import leg of merchanting trade transactions . Authorised dealers are also required to ensure timely receipt of payment for the export leg of such transactions.

### **Section- C**

#### **Import of Currency**

- (i) Import of currency , including cheques, is governed by clause (g) of sub-section (3) of Section 6 of the Foreign Exchange Management Act, 1999, and the Foreign Exchange Management (Export and import of currency) Regulations 2000, made by the Reserve Bank vide Notification No. FEMA 6/RB-2000 dated May 3, 2000.
  
- (ii) All imports of currency not covered by the general permission granted under the Regulations require prior permission of the Reserve Bank.

**BEF**  
**(See paragraph A.19)**

**Statement showing details of remittances effected towards import in respect of which documentary evidence has not been received despite reminders**

Name and address of AD branch.....

Name of Controlling Office of AD branch.....

Statement for the half year .....

**NOTES:**

- i) The statement should be submitted, in duplicate, to the Regional Office of the Reserve Bank under whose jurisdiction of A.D. branch is functioning.
- ii) Details of transactions where the amount of remittance exceeds US\$ 5000 or its equivalent should only be included in the statement.
- iii) The statement should include details of all remittances from India or payments from abroad in connection with imports, including advance payments, delayed payments, etc. irrespective of the source of funding (i.e. EEFC accounts/foreign currency accounts maintained in India and abroad, payments out of external commercial borrowings, foreign investments in the shares of importers etc.)
- iv) The cases reported in Part I of statement for the previous half year should not be reported again in Part I of the statement for the current half year.
- v) In case no transaction is required to be reported, 'NIL' statement should be submitted.
- vi) Statement should be submitted within 15 days from the end of the half year.



**Part II**  
**Information regarding subsequent receipt of documentary evidence of Import from importers whose names were reported in Part I of earlier BEF statement/s**

Sr. No.	Name and address of the importer	Period of the BEF statement and serial No. of the transaction reported earlier in Part 1 of BEF statement	Date of receipt	Amount of remittance		Remarks
				Currency & Amount	Rupee equivalent	
1	2	3	4	5		6
<b>A. Parties other than Public Sector Undertakings/Government Departments</b>						
1						
2						
3						
4.						
etc.						
<b>B. Public Sector Undertakings/Government Departments</b>						
1						
2						
3						
4						
5						
etc.						

**Note:** The transaction reported in Part II of BEF statement of earlier half year should not be repeated in Part II of the current half year

**C E R T I F I C A T E**

- i) We certify that the particulars furnished above are true and correct as per our records.
- ii) We further certify that the statement includes all cases which are required to be reported under the prescribed procedure.
- iii) We undertake to continue to pursue the cases with the importers reported in Part I of the statement.

Place : Stamp

Date : (Signature of the Authorised Official)

Name :  
 Designation :