Module 26 · FTP export promotion schemes P19 · topic 26

SM pp. 1249–1284 (exercise 1285–1286). **9–16 marks in every paper since Dec'23** (expected 8.8). **Q6(a) is an FTP theory question every paper** (RoDTEP D23, D25, J26; EPCG / AA J24; major schemes D24), Q6(b) deemed exports (D23, J25) when SEZ does not come, and **MCQ (xv)** is FTP / EOU. ICMAI answers here are SM paragraphs: learn the SM lists in SM order.

Paper	Long question	MCQ
Dec'23	Q6(a) **RoDTEP operating principles** · Q6(b) **deemed exports** (manufacturer, main / sub-contractor)	AA minimum value addition
Jun'24	Q6(a) **EPCG** · Q6(b) **Advance Authorisation**: applicants, supplies, validity	–
Dec'24	Q6(a) **major FTP schemes** · Q7(b) duty-free items under AA, eligibility	–
Jun'25	Q6(b) **deemed exports**	DFIA value addition · not a deemed export · status-holder free exports
Dec'25	Q6(a) **RoDTEP objectives and salient features**	related-party exports below cost
Jun'26	Q6(b) **seven categories ineligible for RoDTEP** (Notification 70/2023)	EOU minimum investment (= MCQ bank Q95)
ICMAI	MQP Q6(b) AA self-ratification and pre-import condition (unused)	MQP EPCG · PTP EPCG 6 times

HOW IT IS EXAMINED · DEC'26 PREDICTION

- **Q6(a) 7 marks**: RoDTEP (objectives / principles / ineligible list + the extension to 30 September 2026, Supp D26) or EPCG / AA.
- **Q6(b)**: SEZ in December (Module 27) — else deemed exports.
- **MCQ (xv)**: EOU ₹1 crore, AA 15% / DFIA 20% value addition, EPCG 6 times in 6 years, status holders.

MAP OF THIS MODULE

1. FTP 2023 basics, status holders ★
2. Advance Authorisation, DFIA ★★★ (problems box)
3. EPCG ★★
4. RoDTEP ★★★
5. EOU / EHTP / STP / BTP ★★
6. Deemed exports ★★ · revision sheet

A FTP 2023 and status holders

- FTP notified u/s 5 of the Foreign Trade (Development & Regulation) Act, 1992; FTP 2023 in force from **1st April, 2023**, with **no end date** (earlier FTPs had fixed periods). It does not override tax laws. [SM 1249]
- **Status holders** by export performance (US$ million, current + preceding three years): One Star **3**, Two Star **15**, Three Star **50**, Four Star **200**, Five Star **800**. Double weightage once for One Star (MSEs, ISO / BIS units, North-East, J&K, Ladakh ...). [SM 1253]
- Privileges: self-declaration; norms fixed within **60 days**; no bank guarantee; Two Star and above may set up export warehouses; Three Star and above self-certify origin. [SM 1253–1254]
- Free-of-cost exports by status holders: annual cap of **Rupees One Crore or 2%** of average annual export realisation of the preceding three licensing years, **whichever is lower** (J25 MCQ). [SM 1254]
- **Third-party exports**: allowed; shipping bill must name both the manufacturer and the third-party exporter; BRC / invoice in the third party's name. [SM 1259–1260]
- Merchanting trade within one foreign country allowed (Notification 62/2023), except CITES and SCOMET goods. [SM 1259]

⚠ NOT IN THE SM

D25 MCQ (xv): export benefits on related-party exports below cost are computed on the **arm's-length value** (option C) — the SM has no paragraph on it. J24 MCQ bona fide gift export limit — also outside the SM. The postal paper's MEIS / SEIS questions are obsolete (MEIS replaced by RoDTEP).

B Advance Authorisation and DFIA · J24 Q6(b), D24 Q7(b), MQP Q6(b)

ADVANCE AUTHORISATION (AA)

- **Purpose**: duty-free import of inputs **physically incorporated** in the export product (normal wastage allowed); fuel, oil and catalysts consumed may also be allowed. [SM 1264]

VALUE ADDITION

- **VA = (A − B) ÷ B × 100**; A = FOB of exports realised / FOR of supply; B = CIF of inputs under the authorisation + inputs on which drawback is claimed. [SM 1266]

- **Eligible applicants**: manufacturer exporters, or merchant exporters tied to a supporting manufacturer. **Eligible supplies**: physical exports (incl. to SEZ), intermediate supplies, deemed exports, stores on foreign-going vessels / aircraft (with a SION). [SM 1264]
- **Basis**: SION, self-declaration, norms fixed by the Norms Committee, or **self-ratification** (AEO-certified exporters, Two Star and above who have applied for AEO; Chartered Engineer certificate). [SM 1264–1265]
- **Pre-import condition**: inputs physically incorporated; locally sourced through an **Invalidation Letter** or **Advance Release Order** before manufacture. [SM 1265]
- **Validity for import** 12 months from issue, revalidation once for 12 months; for deemed exports co-terminus with the project or 12 months, whichever is later (SM chart). [SM 1265 (chart)]
- **Exempted**: BCD, additional duty, education cess, anti-dumping, countervailing, safeguard duty; **IGST and compensation cess** exempt for physical and deemed exports. Mandatory spares up to **10%** of CIF. **Actual user** condition — not transferable. [SM 1267]
- AA minimum **15%** (tea **50%**, spices **25%**; lower for Appendix 4-D items). Free inputs from the foreign buyer: notional value in both A and B. [SM 1266, SM 1268]
- Annual-requirement AA: SION items only; export performance in the preceding **two** financial years. [SM 1266]

DFIA (DUTY FREE IMPORT AUTHORISATION)

- Exempts **only BCD**; issued **post-export**, SION items only; minimum VA **20%** (J25 MCQ); exports within **12 months**; DFIA **transferable**, valid 12 months, no revalidation; not where pre-import / actual-user conditions apply; tyres cannot be imported. [SM 1269]

PROBLEMS BOX · VALUE-ADDITION SUMS (D23 MCQ; WORKBOOK)

- **SM Illus. 2**: inputs CIF ₹20,00,000 → minimum FOB ₹20 L × 115/100 = **₹23,00,000**. [SM 1282]
- **SM Illus. 3**: CIF ₹35,00,000 + free inputs ₹5,00,000 → minimum FOB to SEZ = 46,00,000; supplies to an SEZ in rupees are fine, but supplies to UN bodies in India must be paid in free foreign exchange. [SM 1282–1283]
- Steps: B = CIF (+ free inputs) → minimum A = B × (100 + VA%) ÷ 100 → check currency rule. DFIA same with 20% (₹20 lakh → ₹24 lakh, our working).
- Practise: SM Illus. 1–5 (SM 1281–1284) · SM M26 MCQ 6 · **ICMAI Practice Workbook Ch20 illus. 1–10** · MCQ bank Q93–Q96, Q176–Q180.

C EPCG · J24 Q6(a)

- **Aim**: import capital goods (pre-production, production, post-production) at **zero customs duty**, or buy them domestically, to make quality goods and services competitive; in return an **export obligation**. [SM 1272]
- IGST and compensation cess exempt for physical exports; IGST paid in cash is excluded from "duty saved" if no ITC is taken. **Actual user** condition until the EODC. [SM 1272]
- Authorisation valid for import for **24 months**, no revalidation. Domestic sourcing by Invalidation Letter / ARO (supplier gets deemed-export benefits). [SM 1272]
- **Export obligation**: **6 times** the duties, taxes and cess saved, within **6 years** of issue (specific EO) + average EO; can be met through exports under AA, DFIA, drawback, RoSCTL, RoDTEP, deemed exports. [SM 1272–1273]
- Early redemption: **75%** of specific EO and **100%** of average EO achieved within half the EO period → balance waived. [SM 1273]
- EPCG via project imports: EO 6 times duty saved = project-import duty − EPCG concessional duty; CKD / SKD import allowed (Illus. 4). [SM 1283]

D RoDTEP · D23, D25 Q6(a), J26 Q6(b)

- Successor to **MEIS**; exports from **1st January 2021**, claimed in the shipping bill. **WTO compliant**. [SM 1274]
- **Objective**: refund taxes **not otherwise refunded** — mandi tax, municipal and property taxes, VAT, coal cess, central excise on fuel, electricity duty, stamp duty on export documents; also covers former MEIS / RoSCTL goods. [SM 1274–1275]
- **Operating principles**: rebate = notified % of **FOB** (value caps per unit); value taken as the **lower of FOB or 1.5 times the market price**; 8555 tariff lines; no rebate on taxes already exempted / remitted / credited; rates set by a Department of Revenue committee; no carry-over of arrears; rebate lost if sale proceeds are not realised within the FEMA time. [SM 1275]
- **Issue**: transferable duty credit / **e-scrip** in a CBIC electronic ledger. [SM 1275]
- **Eligible**: all sectors (labour-intensive first), merchant and manufacturer exporters, no turnover limit, India-origin

INELIGIBLE (J26 Q6(b): "ANY SEVEN")

1. Import-for-export goods (para 2.46); trans-shipments.
2. Goods with a **minimum export price** or **export duty**; restricted / prohibited goods (Schedule 2 of the export policy).
3. **Deemed exports**; DTA supplies to **SEZ / FTWZ** units.
4. Goods made in a **warehouse under section 65** of the Customs Act; job-work goods under the 1997 jobbing notification.
5. Exports without ICEGATE EDI documents or from non-EDI ports; **second-hand goods**.
6. (Exports against AA / DFIA, by EOUs and by SEZ units were also listed — now brought in, see the box.) [SM 1276]

goods, courier / e-commerce exports; not re-exports. [SM 1276]

SUPPLEMENTARIES · WHO GETS RoDTEP, AND UNTIL WHEN

- AA, SEZ and EOU exports brought in from **1-6-2025** (Notification No. 11/2025-26). [SM 1274]
- Notification No. 35/2025 (30 September 2025): DTA units, AA holders, EOUs, SEZ units up to **31 March 2026**; Notification No. 74/2025-26 (31 March 2026): continued **1 April 2026 to 30 September 2026** at the rates and caps of 31 March 2026 (Appendix 4R / 4RE). [Supp D26 p.94]
- ⚠ The exam law stops at 31.05.2026, so write "extended up to 30 September 2026". Any later extension is outside the syllabus.

E EOU / EHTP / STP / BTP and deemed exports · D23, J25 Q6(b)

EOU

- Not for **trading** units. Minimum investment **₹1 crore in plant & machinery** (BoA may relax) — J26 MCQ. Units Approval Committee decides within **15 days**; LoP / LoI valid **2 years** (+2, then BoA) to start production. [SM 1279]
- Export proceeds within **9 months**; 100% retention in EEFC. **Positive NFE** = FOB of exports − CIF of imports and foreign-exchange payments > 0, cumulative over **5-year** blocks. [SM 1279]
- DTA sales at concessional duty up to **50%** of FOB exports (one product up to **90%** within that); new units advance DTA sales up to 50% of projected exports. [SM 1280]
- Illus. 5: production after 4 years 10 months — beyond 2 + 2 years unless the BoA extended; a handicraft **trading** unit cannot be an EOU. [SM 1283–1284]

DEEMED EXPORTS (FTP)

- Goods **manufactured in India** that do not leave India and are paid for in rupees or free foreign exchange; supplies from the DTA to EOUs. [SM 1281]
- **By a manufacturer**: (1) against AA / AA annual / DFIA; (2) to **EOU, STP, BTP, EHTP**; (3) capital goods against **EPCG**; (4) marine freight containers by a 100% EOU re-exported within **6 months**. [SM 1281]
- **By a main / sub-contractor**: (1) projects financed by multilateral / bilateral agencies (ICB); (2) projects with zero customs duty imports; (3) **mega power projects** (ICB); (4) to the **UN** / international organisations; (5) **nuclear projects** (ICB not mandatory). [SM 1281]
- **Benefits**: AA / DFIA; deemed-export drawback; GST refund u/s 147 to the supplier or recipient. [SM 1281]
- Supply to an **SEZ is not** a deemed export — it is a zero-rated supply (J25 MCQ trap; Module 6 / 27).

R Revision sheet · FTP numbers

Item	Number	SM
AA minimum value addition	**15%** (tea 50%, spices 25%)	[SM 1266]
DFIA minimum value addition · validity	**20%** · 12 months, transferable	[SM 1269]
AA mandatory spares	up to **10%** of CIF	[SM 1267]
EPCG validity · export obligation	**24 months** · **6 times** duty saved in **6 years**	[SM 1272]
EPCG early redemption	**75%** specific + **100%** average EO in half the period	[SM 1273]
RoDTEP value	lower of FOB or **1.5 times** market price	[SM 1275]
EOU	**₹1 crore** P&M · LoP 2 years · NFE 5-year block · DTA 50%	[SM 1279–1280]
Status holders	US$ 3 / 15 / 50 / 200 / 800 million	[SM 1253]
RoDTEP extension	up to **30 September 2026**	[Supp D26 p.94]

MEMORY HOOK

"15–20–6–6": AA 15% · DFIA 20% · EPCG 6 times in 6 years. RoDTEP refunds the taxes "**nobody else refunds**" (mandi, electricity, fuel, stamp duty).