

Export benefits for ₹ trade on the cards

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A week after the Reserve Bank of India allowed trade settlement in rupees, the department of commerce is set to reach out to the department of revenue on amending the policy provisions that would enable export benefits in cases where the final realization is in rupees.

The directorate general of foreign trade is likely to come up with a clarification on this in the coming weeks.

Currently, incentives to exporters—in the form of duty drawbacks, export promotion capital goods incentives, and rebate on duties and taxes under different government schemes like Rebate of State and Central Taxes and Levies and Remission of Duties and Taxes on Export Products—are available only if payments or export realizations come in freely convertible currencies. These are the US dollar, British pound, Euro and Japanese yen, while the rupee is not a freely convertible currency. “We will be consulting with the department of revenue and thereafter issue a clarification. It is a valid issue raised by exporters. We



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are looking into it,” said a commerce department official. He added that rupee trades will take off depending on the willingness of the bankers on each side.

“This is an enabling provision. The industry is optimistic about this, and this should work out once bankers come up with a mechanism,” said the official.

With the clarification, the foreign trade policy will be suitably amended to enable exporters to claim export bene-

fits for settling trades in rupees.

The RBI last week introduced a rupee settlement system for international trade, where the invoicing, payment

and settlement of exports and imports to all countries, if approved by the RBI, can be in rupees.

Banks will need RBI approval to use the mechanism. Under this

mechanism, exporters and importers can use a special Vostro account linked to the correspondent bank of the

partner country for receipts and payments denominated in rupees. A Sakthivel, president, Federation of Indian Export Organizations, said that while the RBI’s move will pave the way for trading and settlement of export and import transactions in rupees, the government should clarify the exports benefit part. “We hope that the government will clarify on exports benefits on such exports in rupees, which is hitherto only granted for exports payments received in foreign currency,” said Sakthivel.

He added that the measure will also help promote Indian exports as many countries are facing huge forex shortages in Africa and South America.

Queries emailed to the department of commerce on Tuesday remained unanswered till press time.

The mechanism is also aimed at facilitating trade with countries under western sanctions, like Iran and Russia. Immediately after the Russia-Ukraine war broke in February, payments became a pain point for Indian exporters, especially after Russia was cut off from the SWIFT payment gateway.

With this, the payment issues with Russia would ease.

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