RBI's proposed forex norms to ease shipments via e-comm

MUKESH JAGOTA
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POSITIVE STEP FOR EXPORTERS

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- The proposal also consolidates import and export regulations into a single unified code
- Lot of powers that RBI held in foreign trade have been transferred to banks

THE DRAFT OF the new export-import regulations released by the Reserve Bank of India is "extremely positive for exporters" as it seeks to address the everyday problems faced by them on sourcing and shipment of goods by providing greater flexibility to banks in dealing with the issue of payments, traders said.

The draft of Foreign Exchange Management (Export and Import of Goods and Services) Regulations 2024 and the circular to banks authorised to deal in foreign exchange also brings in administrative simplicity by superseding 61 export-related and 62 import-related notifications, director general and chief executive officer of Federation of Indian Export Organisation (FIEO) Ajay Sahai said.

The proposal also consolidates import and export regulations into a single unified code, partner at Nangia Andersen Sandeep Jhunjhunwala said. At present, there are separate regulations for exports and imports. "Under the proposed rule, not just software but other services exports like "consulting" will be a part of the export and import regulations," Jhunjhunwala said.

The circular issued by RBI to banks authorised to deal in foreign exchange will give them powers to reduce the value of exports by more than 25% on request by exporters. A lot of powers that RBI held in the area of foreign trade have been transferred to banks, Sahai said. Exporters have to declare the value of the goods they have shipped to authorised dealer banks and have to ensure that full payment for the shipments are received and updated in the records. At present, exporters are allowed by banks to reduce the value of export by only up to 25% if their realisations from exported goods fall. It will greatly help commodity and e-commerce exporters, Sahai said. In e-commerce exports, selling prices fluctuate very fast either way and the same is true for commodities. With this flexibility, the exporters will be able to avoid "caution listing". Exporters can be caution listed if they fail to repatriate the full payment for a shipment within 24 months. After "caution listing" exporters can only sell abroad against receipt of advance payment in full or an irrevocable letter of credit.

The RBI circular also gives relief to exporters involved merchanting trade. Merchanting trade, also known as intermediary trade, is a trading model that involves an Indian company purchasing goods from a foreign supplier and then selling them to a foreign buyer without the goods entering or leaving India. This is used by exporters involved in agriculture and other commodities trade to hold on to the markets they have developed when restrictions on exports by the government bars shipments or makes them more expensive. At present merchanting exporters get 120 days to make a payment for goods bought overseas and receive payments for those products sold in third countries. It is proposed to increase this time period to 180 days. The RBI has also directed banks to duly inform the exporters before being flagged as "caution listed" and be given an opportunity to be heard.

Prior to 2020, the caution listing was done by RBI if payments for exports got delayed beyond 24 months and was done automatically by the computer system if the payment was not reflected against the shipped goods. This job was later given to the authorised dealers as sometimes banks failed to update the receipt of payment on time and the system would "caution list" them.