



The Handicrafts Exporters Association

(Estd. 1959)

(Incorporated under Companies Act. 1956)

- Handicrafts
- Textile Products
- Fashion Accessories
- Other Allied Products

Circular No. 9/2010

RECOGNISED BY GOVT. OF INDIA

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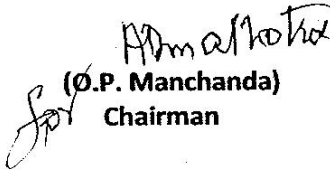
Dear Sir,

We are sending herewith copies of following Public Notices/extracts from Craftcil as per details given below:

1. Time for status holders of handicrafts to claim their 'Status Holders Incentive Scrip' on exports of 2009-10, extracts from Craftcil dt. 3/6/2010;
2. Classification of Artware Handicraft items and composite goods in the Drawback schedule, extracts from Craftcil dt. 3/6/2010;
3. Validity of 'Valid as on 26.05.2010' duty credit scrips of 'Target Plus Schemes' of earlier FTPs extended by one year without the necessity of endorsement thereon, extracts from Craftcil dt. 3/6/2010;
4. DGFT issues Public Notice replacing the last para of 'General Note for Fuel' in Handbook of procedure (vol.2) Of 2009-14, extracts from Craftcil dt. 3/6/2010;
5. Public Notice no. 9/2010 Dt. 23.7.2010 issued by Commissioner of Custom, Air Cargo Exports, New Custom House, New Delhi - 37 Regarding Implementation of extended working hours of customs in Exports Shed (Exports - 2 - Air France Warehouse) on trial basis;
6. Public Notice no. 11/2010 dt. 27.7.2010 issued by Commissioner of Custom, Air Cargo Exports, New Custom House, New Delhi - 37 regarding timing for entry of jewellery at Export Shed duly assessed and cleared by Customs at NSEZ / Jhandewalan Jewellery Complex(JJC).
7. Financial assistance to registered handicraft Exporters, extracts from Hindustan Times Dt. 29.7.2010;

Thanking You

Yours Faithfully


(O.P. Manchanda)
Chairman

Time for Status Holders of handicrafts to claim their 'Status Holders Incentive Scrip' on exports of 2009-10

The downturn in Indian exports started in mid-2008 when retail orders from EU and USA reduced a lot due to most crushing economic meltdown worldwide causing widespread unemployment and changing consumer-spending behaviours. Handicraft exports (among others) from India suffered very badly and were reduced to about 50% in 2008-09 of what it was in 2007-08.

In order to arrest the declining trends of Indian exports, the Govt. of India announced a number of measures/sops from time to time. They were also announced in the Union Budget - 2010 on 26.02.2010 and Foreign Trade Policy 2009-14 announced on 27.08.2009.

Status Holders of Foreign Trade Policy play a very major role in exports. In order to incentivize them also, the FTP 2009-14 contained a sop according to which Status Holders shall be entitled to incentive scrip at the rate of 1% of FOB value of exports made during 2009-10 and 2010-11 of specified sectors, in the form of duty credit. This incentive is over and above any duty credit entitlement under chapter-3 of FTP. Handicraft sector is one of the specified sectors. This entitlement is given in detail in para 3.16 of the FTP for 2009-14.

Since the year 2009-10 is over on 31.03.2010, the Status Holder of handicraft sector may prepare their application for the 'Status Holder Incentive Scrip' and submit them in their licensing offices.

The above scrip shall be issued with actual user condition and shall be valid for import of capital goods (as defined in the Foreign Trade Policy).

The application for duty credit scrip is to be made in application form ANF3E as notified by DGFT in his Public Notice No. 54 dt. 08.04.2010.

DGFT has also issued a Policy Circular No. 30/2009-14 dt 12.04.2010 on the subject of Listing of Supporting Manufacturer in the SHIS Scrip (para 3.10.4 of H.B. of Procedure - Vol. 1) and other details/instructions regarding SHIS. The same may be studied and followed so that the holder of the scrip may not have to approach the licencing office again for amendment/endorsement in the scrip.

Commissioner of Customs (Import), J.N. Custom House, Mumbai, issues a Public Notice on the subject of 'Classification of Artware Handicraft items and composite goods in the Drawback Schedule'

Classification is a very important issue in the export of handicraft. An item may or may not be a handicraft item depending upon conformation to a number of characteristics. But a big problem is that these characteristics are determined in a subjective manner and there is no mathematical calculation in it. It is a matter of one's perception. And when individual human assessment is involved opinions are bound to differ in many cases. Since the tendency on the part of the custom is to err on the side of safety, the exporters suffer a lot.

Nevertheless, there is no dearth of efforts on the part of policy makers in customs to ensure that no hassels are faced in the classification of genuine export products of handicrafts.

The Commissioner of Customs (Imports), Jawaharlal Nehru Custom House has issued a Public Notice No. 48 dt. 12.04.2010 on the subject of classification of Artware/ handicraft items and composite goods in the Drawback Schedule.

Exporters may study the above Public Notice and get the same enforced in case their goods are not being cleared as handicrafts on one pretext or another. In such cases, they should also approach higher officers in the Custom house to secure justice for them.

The Custom Public Notice No. 48 dt. 12.04.2010 refer to above is reproduced alongside.

Classification of Artware / Handicraft items and composite goods in the Drawback schedule

1. It is for the information of all Exporters, Custom House Agents & the Trade that it was brought to the notice of the Board that difficulties were being faced by exporters in classification of articles declared as handicraft/artware items. It was also brought to the notice that divergent practices were being followed in classifying the goods made of different constituent materials in the Drawback Schedule and applying Note 14 of the Drawback Schedule Notification No.103/2008-Cus (N.T) dated 29.08.2008 in this regard.
2. It may be recalled that the Board vide Circular No.128/39/95-CX dated 25.05.1995 had clarified that since the office of Development Commissioner (Handicraft) has treated imitation or real zari as handicraft the same may be treated as handicrafts by the Customs and Central Excise authorities. However, the Board vide circular no.280/114/96-CX dated 19.12.1996 modified this guideline by stating that the following criteria laid down by the Supreme Court in the case of Louis Shoppe [1996(10) CXL (SC) CE-277-(1996)(13) RLT 507 (SC)] for treating any goods as handicrafts may also be followed :-

- (i) It must be predominantly made by hand; it does not matter if some machinery is also used in the process.
- (ii) It must be graced with visual appeal in the nature of ornamentation or in-lay work or some similar work lending it an element of artistic improvement. Such ornamentation must be of substantial nature and not a mere pretence.
3. The Board reiterated these guidelines vide circular No.32/99-Cus dated 04.06.99. The Board vide subsequent circular No.56/99-Cus dated 26.08.99 advised the field formations that they can accept the certificates issued by either the Development Commissioner (Handicrafts) or by the Export Promotion Council for Handicrafts (EPCH).
4. It is hereby clarified that the assessing authorities should normally accept the certificates issued by the Development Commissioner (Handicrafts)/EPCH. A decision to reject the certificate issued by the Development Commissioner (Handicrafts)/EPCH certifying the goods as artware/handicraft should be taken only with the approval of the Commissioner of Customs / Central Excise and after discussions with the certificate issuing authority. The exports should not, in the mean time, be held up.
5. Doubts have also been expressed relating to interpretation of note and condition (3) of the Drawback Schedule Notification No.103/2008-Cus (N.T) dated 29.08.2008. The note and condition provides as follows :-

"Notwithstanding anything contained in the said Schedule, all artware or handicraft items shall be classified under the heading of artware of handicraft (of constituent material) as mentioned in the relevant Chapters."

The essence of this condition is that while the Drawback Schedule is aligned with the Customs Tariff at the 4 digit level, this alignment is not applicable to Artware/Handicraft items. Artware/handicraft item made of a particular constituent material has to be classified under the heading of Artware/Handicraft (of that constituent material) as mentioned in the Chapter relevant to that constituent material. It may be noted that according to this note, the artware/handicraft items may fall in a heading/sub-heading in a chapter other than the chapter in which they fall according to Harmonized System of classification. To illustrate, a handicraft table made of stainless steel would fall under CTH 9403 as per HSN. It would, however, fall under Drawback Schedule heading 732606 (Handicraft/Artware of Stainless Steel) as per the above note. It may also be noted that if the artware or handicraft item is made of more than one constituent material, it should be classified as if it is made of that constituent material which predominates in it by weight. For example, an artware/handicraft item made of brass, iron and wood, consisting, say, 40% by weight of brass, 35% by weight of iron and 25% by weight of wood, should be classified as artware/handicraft or brass under Drawback Schedule heading 741903 and granted drawback at the rate and cap prescribed there under.

6. Further, it is also clarified that the relevant headings/sub-headings in the Drawback Schedule for handicraft/artware items include handicraft /artware items with coating / plating unless specifically provided otherwise.

7. Problems have also been reported in classification of composite articles. Note and condition No.14 of the Drawback Schedule Notification *ibid*, provides that whenever a composite article is exported for which any specific rate has not been provided in the said Schedule, the rates of drawback applicable to various constituent materials can be extended to the composite article according to net content of such materials. It may be noted that this Note is applicable only to composite articles for which no specific rate has been provided in the Drawback Schedule and not to articles which fall in one or the other headings/sub-headings of the Drawback Schedule (which could be a residuary heading 'others') and have a drawback rate. Therefore, it is clarified that articles made of more than one constituent material should be classified under a heading/sub-heading of the

Drawback Schedule in accordance with conditions (1) and (2) of the Drawback Schedule or if the goods are artware or handicraft items in accordance with condition (3) of the Drawback Schedule as discussed in Para 5 above. Once, classification of an article (whether artware/handicraft or other) in a heading/sub-heading of the drawback schedule has been determined, then the drawback rate and cap prescribed against that heading/sub-heading should be applied to the whole article irrespective of the value or weight of different constituents.

8. Note and condition 14 of the Drawback Schedule notification *ibid* should be invoked only if it is found that an article cannot be classified in any of the headings/sub-headings of the Drawback Schedule (not even in residuary heading/sub-heading "others"), in accordance with the above principles. However, such cases may be immediately brought to notice of the Board so that suitable headings/sub-headings may be created in the Drawback Schedule for future.

9. Any difficulty faced in implementing this Public Notice may be brought to the notice of Addl./ Asstt. Commissioner of Drawback Section, JNCH or the undersigned, if not resolved.

F.No.: S/12-Gen-87/09 DBK JNCH

Impex # 3

Validity of Duty Credit Scrips

DGFT

Validity of 'Valid as on 26.05.2010' duty credit scrips of 'Target Plus Schemes' of earlier FTPs extended by one year without the necessity of endorsement thereon

The Foreign Trade Policy of 2004-2009 (of earlier period also) contained a promotional scheme known as 'Target Plus Scheme'. The objective of the scheme was to accelerate growth in exports by rewarding Star Export Houses who achieved a quantum growth in exports. The entitlement (duty credit scrip) under this measure was contingent on the percentage incremental growth in FOB value of exports in the current licensing year over the previous licensing year as detailed in the scheme.

As per para 3.2.5. VII of the Hand Book of Procedures (Vol.-I) of RE-2004 and RE-2005, the validity of the duty credit scrip was 24 months.

Now DGFT has issued a Public Notice No. 68/2009-14 dt. 26.05.2010 according to which the certificate / scrips issued under the Target Plus Scheme which are valid on the date of issue of the above Public Notice shall be automatically valid for a further period of 12 months.

Extracts from DGFT Public Notice dt. 26.05.2010 referred to above are reproduced below:

"in the Para 326A (VI) of Handbook of Procedures (Vol.1) (RE2003) and Para 3.2.5-VII of Handbooks of Procedures (Vol. I) (RE2004 & RE2005), the following is added at the end.

"The Certificates / Scrips, which are valid as on the date of issue of this Public Notice, shall have an extended validity for a further period of 12 months from the date of issue of this Public Notice, and there shall be no requirement of endorsement of this extended validity on the Certificate/Scrip from the concerned regional authority."

Impex # 4

Import of Fuel under Advance Authorisation

DGFT

DGFT issues Public Notice replacing the last para of 'General Note for Fuel' in Handbook of Procedure (Vol.2) of 2009-14

The Handbook of Procedure (Vol.2) of 2009-14 of DGFT contains the Standard Input-Output Norms (SIONs) of Duty Exemption Schemes. Fuel is treated one of the inputs. Fuel is an important input in the manufacture of handicrafts made from metal scrap, etc.

In the Vol. 2 referred to above, there is a 'General Note for Fuel'. DGFT has issued a Public Notice No. 66/2009-14 dt. 19.05.2010 replacing the last paragraph of the above 'General Note for Fuel'. The new paragraph is given below:

(Extracts)

The Last Paragraph to "General Note for Fuel" in HBP, Vol. 2 stands replaced by the following clause:

For the purpose of import of fuel under Advance Authorisation, the applicant shall indicate the name of the specific fuel sought for import in their application. Import of fuel shall also be permitted under Paragraph 4.7 of Handbook of Procedures, v1, related to Adhoc Norms, as per the entitlement under "General Note for Fuel". In case of DFIA, import entitlement for fuel as per SION, may be transferred only to companies, which have been granted licences to market fuel by the Ministry of Petroleum and Natural Gas.

PUBLIC NOTICE NO. 09/2010

Sub: Implementation of extended working hours of Customs in Export Shed (Export - 2 - Air France Warehouse) on trial basis.

Attention of all trade partners i.e. Exporters, CHAs, Custodian and Airlines is invited to the meeting of PGC/PTFC held on 06.07.2010. In view of robust growth in exports and increased traffic from Delhi Air Cargo Exports, a need is being felt for extending the clearance facilities available at the Air Cargo Complex. This office had offered to extend the Customs facilities 24x7 subject to all trade partners giving written assurances on various issues. In fact one Customs officer is deputed 24x7 even today for clearance of perishable goods. In order to assess the impact of extending working hours of Customs, it has been decided to provide Customs facilities in Export - 2 (Air France Warehouse) for 12 hours i.e. 10.00 AM to 10.00 PM (Monday to Saturday excluding holidays and second Saturday). The working shall be as follows in respect of Export - 2 (Air France Warehouse).

1. The Custodian i.e. DIAL / CELEBI shall accept any export goods 24x7 in Export - 2 (Air France Warehouse).
2. The CHA must not be present at the time of entry of goods. The Custodian shall take over goods from TD gate on the basis of documents i.e. T.C and airway bill given to him by the transporter / driver etc.
3. On entry of goods in Export Shed, the inspector of customs on duty shall verify marks and number of packages and sign on Annexure - C (Copy enclosed for reference). He shall also assign a running serial number to Annexure-C starting with midnight of the particular day.
4. The signed Annexure - C shall be given to the Custodian for handing it over to CHA.
5. The CHA shall submit the documents alongwith Annexure - C duly signed by the Customs officer for registration & further processing by the Customs at Air France Warehouse. In order to ensure FIFO principle, the Inspector receiving the documents shall register strictly on the basis of running serial number given on the Annexure-C. However in case documents are not produced, he will register the next set of documents which are received. The missing documents received later shall go to head of the queue.

6. The Customs officers posted in Air France Warehouse shall process the documents strictly on First in First Out (FIFO) basis.
7. Wherever examination of goods is required, the Customs shall inform the Custodian to bring the requisite packages to examination area.
8. Once the Custodian brings the goods for examination, the Customs officers shall call the CHA / Exporter for examination in their presence.
9. Once examination is over, the CHA / Exporter shall leave the examination area.
10. Upon grant of Let Export Order by the Customs, the documents shall be retained by the Customs. The Shipping Bill print shall be taken from CMC Centre in Export Shed and the CHA / Exporter shall submit Customs copy duly signed by them to the Customs officers in Air France Warehouse.

It must be noted that:

- a) There shall be no restriction on entry of goods. The goods may enter 24x7 in Export - 2.
- b) The Customs shall work 10.00 AM to 10.00 PM. There shall be no restriction on submission of documents during this period.
- c) Clearance of goods shall be done within 24 hours of receipt of goods or submission of documents, whichever is later, strictly on FIFO basis. There shall be no guarantee that goods shall be cleared on same day. However clearance within 24 hours is assured, subject to everything being clear and in order.
- d) The Export Shed shall be a sterile area with only those CHAs who are called for examination of goods being allowed inside the shed.

The extended working hours and revised working in Export - 2 shall be started on trial basis w.e.f. 26.07.2010 for a period of one month initially.

All the trade partners are requested to cooperate and provide their feedback on the revised system for further improvement.

PUBLIC NOTICE NO. 11/2010

Sub: - Timings for entry of Jewellery at Export Shed duly assessed and cleared by Customs at NSEZ / Jhandewalan Jewellery Complex (JJC).

Attention of all stake holders is invited to Public Notice No. 05/2010 dated 07.04.2010 vide which timings of entry of goods at Export Shed have been prescribed.

2. It has been brought to notice that due to these timings, very little time is left for the officers at NSEZ / Jhandewalan Jewellery Complex (JJC) to clear Jewellery items in order to reach Export Shed by said prescribed time.
3. This matter was clarified earlier also that time of entry of goods as per Public Notice 05/2010 does not apply to goods duly appraised, Customs cleared and sealed at NSEZ / JJC and such goods may enter Export Shed upto 6.00 PM.

4. It is once again reiterated that timings prescribed vide Public Notice No. 09/2010 does not apply to Jewellery duly appraised, Custom cleared and sealed at NSEZ /JJC. Such goods may enter Export Shed upto 6.00 PM. the officers at NSEZ/ JJC shall complete their work accordingly so that goods cleared by them reach Export Shed by 6.00 PM. The goods including Jewellery can be received at Export - 2, Air France Warehouse 24x7.



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FINANCIAL ASSISTANCE

Available on first come first serve basis.

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