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To

All Authorised Dealer Category – I banks and Authorised Banks

Madam / Dear Sir,

Master Direction – Import of Goods and Services

Import of Goods and Services into India is being allowed in terms of Section 5 of the Foreign Exchange Management Act 1999 (42 of 1999), read with Notification No. G.S.R. 381(E) dated May 3, 2000 viz. Foreign Exchange Management (Current Account Transaction) Rules, 2000. These Regulations are amended from time to time to incorporate the changes in the regulatory framework and published through amendment notifications.

2. Within the contours of the Regulations, Reserve Bank of India also issues directions to Authorised Persons under Section 11 of the Foreign Exchange Management Act (FEMA), 1999. These directions lay down the modalities as to how the foreign exchange business has to be conducted by the Authorised Persons with their customers/constituents with a view to implementing the regulations framed.

3. Instructions issued on import of goods and services into India have been compiled in this Master Direction. The list of underlying circulars/ notifications which form the basis of this Master Direction is furnished in the Appendix. Reporting instructions can be found in Master Direction on reporting (Master Direction No. 18 dated January 01, 2016).

4. It may be noted that, whenever necessary, Reserve Bank shall issue directions to Authorised Persons through A.P. (DIR Series) Circulars in regard to any change in the Regulations or the manner in which relative transactions are to be conducted by the Authorised Persons with their customers/ constituents. The Master Direction issued herewith shall be amended suitably simultaneously.

Yours faithfully,

(Vivek Srivastava)
Chief General Manager

Master Direction 17 – Import of Goods and Services

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Consolidated List of Circulars in the Master Direction

the import of rough diamonds, rough precious and semi-precious stones can receive import bills directly from the suppliers without any ceiling. AD Category - I banks may undertake such transactions subject to the following conditions:

- (i) The import would be subject to the prevailing Foreign Trade Policy.
- (ii) The transactions are based on their commercial judgment and they are satisfied about the bonafides of the transactions.
- (iii) AD Category - I banks should do the KYC and due diligence exercise and should be fully satisfied about the financial standing / status and track record of the importer customer. Before extending the facility, they should also obtain a report on each individual overseas supplier from the overseas banker or reputed overseas credit rating agency.

C.6.3. Receipt of import documents by the AD Category – I bank directly from overseas suppliers

- (i) At the request of importer clients, AD Category – I bank may receive bills directly from the overseas supplier as above, provided the AD Category – I bank is fully satisfied about the financial standing/status and track record of the importer customer.
- (ii) Before extending the facility, the AD Category – I bank should obtain a report on each individual overseas supplier from the overseas banker or a reputed overseas credit agency. However, such credit report on the overseas supplier need not be obtained in cases where the invoice value does not exceed USD 300,000 provided the AD Category – I bank is satisfied about the bonafides of the transaction and track record of the importer constituent.

C.7. Evidence of Import

C.7.1. Physical Imports

²⁰(i) In case of all imports, irrespective of the value of foreign exchange remitted / paid for import into India, it is obligatory on the part of the AD Category– I bank through which the relative remittance was made, to ensure that the importer submits :-

- (a) The importer shall submit BoE number, port code and date for marking evidence of import under IDPMS as detailed in para C.8.
- (b) Customs Assessment Certificate or Postal Appraisal Form, as declared by the importer to the Customs Authorities, where import has been made by post, or Courier Bill of Entry as declared by the courier companies to the Customs Authorities in cases where goods have been imported through couriers, as evidence that the goods for which the payment was made have actually been imported into India, or
- (c) For goods imported and stored in Free Trade Warehousing Zone (FTWZ) or SEZ Unit warehouses or Customs bonded warehouses, etc., the Exchange Control Copy of the Ex-Bond Bill of Entry or Bill of Entry issued by Customs Authorities by any other similar nomenclature the importer shall submit applicable BoE number, port code and date for marking evidence of import under IDPMS as detailed in para C.8.

(ii) In respect of imports on Delivery against acceptance basis, AD Category – I bank shall verify the evidence of import from IDPMS at the time of effecting remittance of import bill. However, 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., AD bank 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.

²²(iii) AD banks are required to create Outward Remittance Message (ORM) for all such outward remittances irrespective of value and shall perform the subsequent activity viz document submission, outward remittance data, matching with ORM, closing of transactions etc. as per IDPMS guidelines.

C.7.2. Evidence of Import in Lieu of Bill of Entry

(i) AD Category – I bank may accept, in lieu of Exchange Control Copy of Bill of Entry for home consumption, a certificate from the Chief Executive Officer (CEO) or auditor of the company that the goods for which remittance was made have actually been imported into India provided :-

- (a) The amount of foreign exchange remitted is less than USD 1,000,000 or its equivalent and
 - (b) The importer is a company listed on a stock exchange in India and whose net worth is not less than Rs.100 crore as on the date of its last audited balance sheet, or, the importer is a public sector company or an undertaking of the Government of India or its departments.
- (ii) The above facility may also be extended to autonomous bodies, including scientific bodies/academic institutions, such as Indian Institute of Science / Indian Institute of Technology, etc. whose accounts are audited by the Comptroller and Auditor General of India (CAG). AD Category – I bank may insist on a declaration from the auditor/CEO of such institutions that their accounts are audited by CAG.

²³(iii) Outward Remittance Message has to be created & BoE has to be downloaded from "BoE Master" in IDPMS (in case of EDI ports). In case of Non-EDI ports duplicate copy/customs certified copy have to be submitted or BoE waiver obtained from RBI.

C.7.3. Non-physical Imports

- (i) Where imports are made in non-physical form, i.e., software or data through internet / datacom 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.
- (ii) AD Category – I bank should advise importers to keep Customs Authorities informed of the imports made by them under this clause.

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²⁵C.8. Detailed Operational Procedures for IDPMS

The operational guidelines are summarised as below :

- (i) AD banks are required to create Outward Remittance Message (ORM) for all outward remittance/s for import payments on behalf of their importer customer for which the prescribed documents for evidence of import have not been submitted.
- (ii) Creation of ORM for all outstanding outward remittance/s for import payments need to be completed on or before October 31, 2016

Settlement of ORM with BoE

(iii) Based on the AD code declared by the importer, the banks shall download the Bill of Entry (BoE) issued by EDI ports from "BOE Master" in IDPMS. For non-EDI ports, AD bank of the importer shall upload the BoE data in IDPMS as per message format "Manual BOE reporting" on daily basis on receipt of BoE from the customer/Customs office. ²⁶In order to enhance the ease of doing business and reduce transaction costs, submission of hardcopy of evidence of import documents i.e., BoE Exchange Control copy has been discontinued with effect from December 1, 2016 as the same is available in IDPMS. The revised procedure is as under:

- (iv) AD banks shall enter BoE details (BoE number, port code and date) for ORM associated with the advance payments for import transactions as per the message format "BOE settlement".
- (v) In case of payment after receipt of BoE, the AD bank shall generate ORM for import payments made by its importer customer as per the message format "BOE settlement".
- (vi) Multiple ORMs can be settled against single BoE and also multiple BoE can be settled against one ORM.

²⁷(vii) On settlement of ORM with evidence of import AD Category – I bank shall in all cases issue an acknowledgement slip to the importer containing the following particulars:

- a. importer's full name and address with code number ;
- b. number and date of BoE and the amount of import ; and
- c. a recap advice on number and amount of BoE and ORM not settled for the importer.

²⁸(viii) The importer needs to preserve the printed 'Importer copy' of BoE as evidence of import and acknowledgement slip for future use.

Extension and Write Off

(ix) AD Category I banks shall give extension for submission of BoE beyond the prescribed period in terms of the extant guidelines on the matter, and the same will be reported in IDPMS as per the message "Bill of Entry Extension" and the date up to which extension is granted will be indicated in "Extension Date" column.

(x) AD Category I banks can consider closure of BoE/ORM in IDPMS that involves write off to the extent of 5% of invoice value in cases where the amount declared in BoE varies from the actual remittance due to operational reasons and AD bank is satisfied with the reason/s submitted by the importer.

(xi) AD Category I banks may close the BoE for such import transactions where write off is on account of quality issues; short shipment or destruction of goods by the port / Customs / health authorities in terms of extant guidelines on the matter subject to submission of satisfactory documentation by the importer irrespective of the amount involved. AD Bank shall settle and close ORM/BoE with appropriate "Adjustment Indicator" in IDPMS.

(xii) The above operational guidelines for extension and write off are meant to facilitate closure of bills in IDPMS and will be subject to extant guidelines on the matter and not absolve the importer from remitting / receiving the amount in case of change in circumstances.

(xiii) While allowing write off, AD Category - I banks must ensure that:

- a. The case is not the subject matter of any pending civil or criminal suit;
- b. The importer has not come to the adverse notice of the Enforcement Directorate or the Central Bureau of Investigation or any such other law enforcement agency; and
- c. There is a system in place under which internal inspectors or auditors of the AD category – I banks (including external auditors appointed by authorised dealers) should carry out random sample check / percentage check of write-off of import bills;

(xiv) Extension and write off cases not covered by the extant guidelines may be referred to the concerned Regional Office of Reserve Bank of India for necessary approval.

²⁹(xv) The extant instructions and guidelines for Evidence of Import in Lieu of Bill of Entry will apply mutatis mutandis. The evidence of import in lieu of BoE in permitted/approved conditions will be created and uploaded by AD Category – I bank of the importer in the form of BoE data as per message format "Manual BOE reporting" in IDPMS.

Follow-up for Evidence of Import

³⁰(xvi) AD Category – I banks shall continue to follow up for outward remittance made for import (i.e. unsettled ORM) in terms of extant guidelines and instructions on the subject. In cases where relevant evidence of import data is not available in IDPMS on due dates against the ORM, AD Category – I bank shall follow up with the importer for submission of documentary evidence of import. Similarly, if BoE data is not settled against ORM within the prescribed period, AD Category – I banks shall follow up with the importer in terms of extant instructions.

³¹C.9. Verification and Preservation

(i) Internal inspectors and IS auditors (including external auditors appointed by AD Category – I bank) should carry out verification and IS audit and assurance of the "BOE Settlement" process in IDPMS. Data and process followed by AD Category – I bank for "BOE Settlement" should be preserved in terms of the guidelines under Cyber Security Framework in the bank.

(ii) Internal inspectors or auditors (including external auditors appointed by AD Category – I bank) should carry out verification of the documents evidencing import other than which are available in IDPMS, e.g. Exchange Control copies of Postal Appraisal Forms, or Customs Assessment Certificates, etc.

(iii) Documents evidencing import into India should be preserved by AD Category – I bank for a period of one year from the date of their verification. However, in respect of cases which are under investigation by investigating agencies, documents, and/or data, process may be destroyed only after obtaining clearance from the investigating agency concerned.

C.10. Follow-up for Import Evidence

(i) In case an importer does not furnish any documentary evidence of import, as required under paragraph C.7. of Section III, within 3 months from the date of remittance involving foreign exchange ³²irrespective of value, the AD Category – I bank should rigorously follow-up for the next 3 months, ³³by using various modes of communications. It should, however, be ensured that atleast one communication with the importer in this regard is by issuance of registered letter.

³⁴(ii) In IDPMS, all outstanding import remittances, irrespective of the amount involved, should be reported by the AD Category-I banks. Further, submission of a separate BEF Statement by the AD Category-I bank would be required till the half year ended December 2017 and discontinued thereafter.

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C.11 Import of Gold

C.11.1 Import of Gold.

i. The 20:80 scheme of import of gold was withdrawn on November 28, 2014. However, the obligation to export under the 20:80 scheme would apply to the unutilised gold imported before November 28, 2014.

³⁶ii. Nominated banks and nominated agencies, as notified by DGFT, are permitted to import gold on consignment basis. In addition to the above, qualified jewellers as notified by International Financial Services Centres Authority (IFSCA) will be permitted to import gold under specific ITC (HS) Codes through India International Bullion Exchange IFSC Limited (IIBX). All sale of gold domestically will, however, be against upfront payment. Nominated banks are free to grant gold metal loans.

³⁷iii. The Status Holder Exporters shall adhere to the guidelines contained in extant Foreign Trade Policy, as amended from time to time.

iv. The import of gold coins and medallions is permitted. However, prohibition on sale of gold coins and medallions by banks continues pending further review.