

# FOREIGN TRADE POLICY & PROCEDURE

## Question 1

Write Short notes on Marketing Development Assistance (MDA)

### Answer

The Marketing Development Assistance (MDA) Scheme is intended to provide financial assistance for a range of export promotion activities implemented by export promotion councils, industry and trade associations on a regular basis every year.

As per the revised MDA guidelines, assistance under MDA is available for exporters with annual export turnover upto 5 Crores, for attending, seminars, trade exhibitions, etc.

## Question 2

Write Short notes on Market Access Initiative (MAI) Scheme

### Answer

The Market Access Initiative (MAI) Scheme is intended to provide financial assistance for medium term export promotion efforts with a sharp focus on a country and product. The Financial assistance is available for Export Promotion Councils, Industry and Trade Associations.

## Question 3

Write Short notes on Focus Market Scheme (FMS)

### Answer

This scheme offsets the high freight and other export costs incurred while exporting to select international markets covered within the scheme. This is done to enhance India's export competitiveness in these countries. All exporters to these notified countries are eligible for Duty Credit Scrip equivalent to 3% of FOB value of exports.

## Question 4

Write Short notes on Focus Product Scheme (FPS).

### Answer

The chief purpose of this scheme is to incentivize export of such products which have high export intensity or employment potential. It helps by Offsetting infrastructural and other related costs in the export of these products. Exports of notified products to all countries are entitled for duty Credit Scrip equivalent to 2% of FOB value of exports.

## Question 5

Write Short notes on Served from India Scheme

### Answer

Scheme launched by the Government of India facilitate exporters of various type of services. There is a twofold purpose of this scheme- to establish a strong 'Served From India' brand and to enhance trade in services originating from India. Under this, service providers of more than 100 services like Professional Services, Computer Related Services, Hotels, Restaurants, etc. are entitled for Duty Credit Scrip. For individual Service providers, the amount forex earnings required to avail this benefit is Rs. 5 lakhs.



# CHAPTER 4

## SEZ Act, 2005

### Question 1

Write a note on “Special Economic Zones (SEZs) are engines of growth”.

### Answer

Special Economic Zone or SEZ is a specially delineated duty free zone or area. All trade going into these areas is treated as export. These zones can rightly be called as growth engines as they increase India's presence in World Trade. According to the specially announced SEZ scheme, special fiscal and regulatory benefits are given to SEZs to enhance trade. These zones then, because of these extra benefits, are able to pass on the effects to the economy as a whole, by generating employment and further economic activity within the country. These zones come under the Single window Clearance Scheme and are deemed to be foreign territory. Overall, they enhance the level of manufacturing taking place within the country and raise its productive capacity, thereby ensuring a sound international presence.

### Question 2

Write a note on 'Board of Trade' under the Foreign Trade (Development and Regulation) Act, 1992.

### Answer

The Board of Trade (BoT) is an advisory body created under Central Government for the purpose of giving suggestions related with foreign trade to the Government. It performs the following functions:

- (i) Reviews the Foreign Trade policies.
- (ii) Studies the export performance of various sectors.
- (iii) Studies where institutional support is needed to enhance foreign trade.
- (iv) Recommends relevant measures to be adopted by the Government of India for this purpose.
- (v) Advises how to strengthen India's Export Performance.
- (vi) Issues commissions for the purpose of such studies.

The BoT is headed by the Commerce and Industry Minister and comprises 25 members.

### Question 3

Write a note on Salient features of the Special Economic Zones Act, 2005.

### Answer

The salient features of Special Economic Zone Act, 2005 are as follows:-

- (i) Matters dealing with setting up of Special Economic Zone and units therein.
- (ii) Matters dealing with off-shore banking units and units in International Financial Service Center in SEZ.
- (iii) Single Window clearance mechanism at SEZ level.
- (iv) Fiscal regime/scenario for developers of Special Economic Zone and units.
- (v) Providing authority for each SEZ granting them administrative autonomy.
- (vi) Setting up special courts to ensure faster settlement of cases and speedy investigation in relation to offences committed in Special Economic Zones.

### Question 4

Write a note on Star Export Houses.



- According to the Foreign Trade Policy, following are the ones eligible for making an application to be regarded as Star Export Houses.
- Export Oriented Units (EOU)
- Merchant and Manufacturer Exporters
- Service Providers
- Units in: SEZ, EHTP, STP, BTP, AEZ, etc.

#### **Question 5**

With reference to the relevant legal enactments, write short notes on the Advance Authorisation Scheme.

#### **Answer**

An advance authorization is issued to allow duty free import of inputs, which are physically incorporated in the export product (making normal allowance for wastage). In addition to the inputs, fuel, oil, energy, catalysts, etc which are consumed in the course of their use, their export may also be allowed under the scheme.

#### **Question 6**

Distinguish between 'Duty free Replenishment Certificate' and 'Duty Entitlement Passbook Scheme'.

#### **Answer**

DFRC is issued to a merchant-exporter or manufacture-exporter for the import of inputs used in the manufacture of goods without payment of basic customs duty. However, such inputs are subject to the Payment of additional customs duty equal to the excise duty at the time of import. DFRC is issued on minimum value addition of 25% except for items in gems and jewellery sector for which prescribed value addition is applicable.

The objective of Duty Entitlement Passbook Scheme (DEPB) is to neutralize the incidence of Customs duty on the import content of the export product. The neutralization has been provided by way of grant of duty credit against the export product.

DFRC may be issued in respect of exports for which payments are received in non-convertible currency, Such exports have, however, been made subject to value addition and prescribed conditions.

In fact, DFRC is issued only in respect of products covered under the Standard Input Output Norms (SION) as indicated in the shipping bills. The validity of such authorization is 24 months.

The holder of DERB has been given an option to pay additional customs duty, if any, in cash as well. The DEPB is valid for a period of 24 months from the date of Issue. The DEPB and/or the items imported against it are freely transferable. The transfer of DEPB should however be for import at the port specified in the DEPB.

Normally, the exports made under the DEPB Scheme are not entitled for drawback. However, the additional customs duty/excise duty paid in cash or through Debit under DEPB is adjusted as CENVAT Credit or Duty Drawback.

## CHAPTER 16

## LAW RELATING TO TRUST

**Question 1.**

Doctrine of cy pres.

**Answer**

Cy pres means near to. When the intention of the trust cannot be satisfied as the trust demands, may be because it has become unlawful, impracticable or even impossible, then an object as near to the original is selected by the Courts for the satisfaction of the purpose of the trust.

**Question 2.**

Simple and special trust.

**Answer**

Where the trustee is just to hold the property as per the owner's wishes, it is a simple trust. When there are duties attached with the holding of property, it becomes a special trust.

**Question 3.**

Charitable and religious trusts

**Answer**

A charitable or religious trust is one for social welfare. The class to be benefited in a charitable trust must be a definite segment of the public. It must be large enough so that the community in general is affected by, and interested in, the enforcement of the trust.

**Question 4.**

Express and implied trust.

**Answer**

A trust that is articulated through words or in writing is an express trust, whereas one that is delivered from the surrounding circumstances of the case or from the conduct of the parties is an implied trust.

**Question 5.**

Public and private trust.

**Answer**

When the beneficiary or the beneficiaries are specific parties, it is a private trust. When the beneficiary is a varying public body, it is a public trust.

**Question 6.**

Revocable / irrevocable trusts.

**Answer**

When the testator expressly reserves the right of revocation, or when the trust is an oral trust, it is revocable. However, all other types of trusts are irrevocable.

**Question 7.**

Constructive trust

**Answer**

It is deemed trust; one which is not expressly or impliedly created, but one that is assumed by law. This is done to prevent unjust usurpation of property.



#### **Question 8.**

Resulting trust

#### **Answer**

This trust comes into existence when the conditions of a trust are not clearly specified but still a trust exists.

#### **Question 9.**

Beneficiary

#### **Answer**

He is the person for whose benefit the property is kept in a trust. He can be a third party or even the owner of property / testator himself.

#### **Question 10.**

Extinction of a trust.

#### **Answer**

This happens in these cases :

- When the purpose of the trust is satisfied
- When the purpose becomes impossible, impracticable or unlawful.
- When the trust is revoked.

#### **Question 11.**

Revocation of trust.

#### **Answer**

Two distinctions exist :

- If a trust was created by will, it can be revoked by the revocation of the will.
- If it created by the normal mode, or even orally, it can be revoked by exercising the power of revocation reserved expressly.

#### **Question 12.**

State the rights of a trustee under the Indian Trusts Act, 1882.

#### **Answer**

The following are the rights of a trustee :

- (i) Rights to title deeds : The right to have the possession of the instrument of trust and all the documents of title relating to the trust property.
- (ii) Right to reimbursement of expenses : The right to reimburse himself of all cost, expenses and liabilities incurred in administration of the trust.
- (iii) Right to indemnity from gainer by breach of trust : In case of breach of trust in the person who derives any benefit out of such a breach, must indemnify the trustee to the extent of the amount actually received by him.
- (iv) Right to apply to court for option in managing trust property : A trustee has a right to seek advice, opinion or direction of the court relating to the general administration or management of the trust property, by way of an application instead of by a suit.

#### **Question 13.**

What are the duties of trustee under the Indian Trusts Act, 1882?

#### **Answer**

Sections 11 to 22 of the Indian Trusts Act, 1882, deals with the duties of the trustee. They are as under :



- (1) Proper execution of the trust as per the directions given in the instrument of the trust. Any change he makes can only be with the consent of the beneficiaries competent to contract.
- (2) Acquaintance with the nature of the trust property, so as to do justice with the trust and its purpose.
- (3) Protect and preserve the trust property.
- (4) Not to set up an adverse title.
- (5) To deal as a man of ordinary prudence would deal with such property as if it were his own.
- (6) To convert the property of a wasting nature into that of permanent nature.
- (7) To act impartially or in favour of all, where there is more than one beneficiary.
- (8) In case of a trust created for several people in succession, if one person is doing something injurious to the trust property, the trustee needs to take preventive steps.
- (9) To maintain accurate accounts of the trust property and to invest the trust property and funds in the eligible securities.
- (10) To sell the trust property as authorised by the Court.

**Question 14.**

Define the term trust under the Indian Trusts Act, 1882. How does it differ from a contract? Explain briefly.

**Question 15.**

Raman bequeaths certain property to Mohan, desiring him to divide the bulk of it among Kapil's children. Does this create a trust? Give reasons.

**Question 16.**

Gyan, a trustee, improperly leaves trust property outstanding. If such trust property is subsequently lost, is Gyan liable to make good the property lost? Explain.

**Question 17.**

Distinguish between Trust and agency?

**Answer**

Agent	Trustee
(a) An agent has no title to the property.	A trustee is the full owner of the trust property.
(b) An agent acts on behalf of the principal.	A trustee acts in his own behalf.
(c) An agent is not personally liable, if he acts on behalf of the principal.	A trustee is personally liable.