



# STP / EHTP Scheme Policies and Procedures



## STP/EHTP Scheme

- ⌚ To promote exports from the country, Govt. of India, Ministry of Commerce & Industry promulgated EXIM Policy (EXIM Import Policy) / Foreign Trade Policy (1/9/2004).
- ⌚ To promote software and electronic hardware exports STPI was setup in 1991, having HQs in New Delhi.
- ⌚ STPI is a Non-Profit Organization.
- ⌚ The STP/EHTP Scheme in the EXIM / FTP Policy is deployed by STP centers set up across India.
- ⌚ To facilitate High Speed Data Transfer from the exporters/100% EoUs, Satellite Earth Station were set up under Data Communication Services.



## STP/EHTP Scheme offers

- ⌚ Duty free Capital Goods (Import & Indigenous)
- ⌚ 100% Foreign Equity permitted.
- ⌚ 100% Corporate Tax Holiday till 2009
- ⌚ CST Re-imburement
- ⌚ DTA Sales upto 50% of Exports made
- ⌚ May retain 100% of its export earnings in the EEFC account
- ⌚ Export proceeds may be realized upto 12 months
- ⌚ Simplified export obligation – ‘Positive Net Foreign Exchange earnings’

Refer Foreign Trade  
Policy(FTP) 2004-09 &  
FTP Handbook of  
Procedures– Chapter 6

To avail the benefits any software, electronic hardware unit who propose to export 100% of their production has to register with STPI/SEZ/MEPZ/CSEZ etc., who are called EoUs.

## Post approval processes....



After obtaining Letter of Permission (LoP),

- ① The approved STP unit is required to execute Legal Agreement (LA) / Legal Undertaking (LuT) with STPI on an Rs. 100/- stamp paper (Indian Non-Judicial Paper)

To obtain:

- ① List Attestation w.r.t proposed CG procurement (Import & Indigenous)
- ① Registration Cum Membership Certificate (RCMC)
- ① Green Card (proof / identity card as 100% EoU status)

With the LOP, LUT, List Attestation, Green Card and other approvals accorded by STPI, STP/EHTP units are required to approach customs authorities for **bonding of the premise & execution of Bank Guarantee.**

## Imports



STP/ EHTP units are free to import all capital goods those required for creating STP infrastructure unless otherwise the same are in the prohibited list.

These goods may be imported as per clause 6.2(a) of Foreign Trade Policy and 6.6.1 & 6.6.7 of the Foreign Trade Policy Hand Book of Procedures and customs notification 52/2003 dated 31/3/2003.

Benefit:

Customs duty exemption

## Types of Import



- ✧ Outright Purchase
- ✧ Loan basis from client / supplier / parent company  
Loan period to be indicated
- ✧ Free of cost from client / supplier / parent company
- ✧ Lease basis (clause 6.4 of FTP & clause 6.9 of HoP of FTP)  
Lease agreement to be filed

## Types of Import (contd...)



- ✧ Bond – Bond sale  
Proof of EoU to be filed
  
- ✧ High Sea Sale  
High sea sale agreement to be filed
  
- ✧ Second Hand Capital goods (clause 6.3 of FTP & 6.6.1(b) of HoP of FTP )  
Chartered Engineers certificate to be filed

### **Procedure:**

A request letter accompanied with Annexure IX and the Proforma Invoice to STPI.

Import approval issued by STPI

Approach customs for necessary clearance of Goods



## Bonding of Imported capital Goods

- ⌚ Obtain Import Approval from STPI
- ⌚ Clear imported capital goods from customs, obtain BoE
- ⌚ Enter the details of the capital goods procured in the bond register, duly maintained.
- ⌚ Separate bond register to be maintained in case of STP /EHTP units operating from multiple locations.
- ⌚ Request mail to STPI bonding officer for inspection
- ⌚ STPI Bonding officer will inspect the imported capital goods against the import approval issued by STPI, BoE, Packing list etc.,
- ⌚ The Bonding Officer will endorse the Bond Register and will issue re-warehousing certificate
- ⌚ Submit Re-warehousing Certificate (RWC) to customs authorities within 7 days





## CT3 Exemption

- ☆ STP/ EHTP units are free to procure capital goods indigenously those required for creating STP infrastructure unless otherwise the same are in the prohibited list.

These goods may be procured in DTA as per FTP Para No.6.2(b).

Benefit:

Excise duty exemption

### **Procedure:**

A request letter accompanied with Annexure IX-A and the original Proforma Invoice to STPI.

Central Excise Exemption approval issued by STPI

Approach central excise & customs for issue of CT3 approval

For inspection & re-warehousing of locally procured goods, necessary intimation to be filed with concerned EoU range.

## Re-Export



- ✧ STP units are allowed to Re-Export the capital goods which are imported, as per clause 6.17.of Foreign Trade Policy and 6.28.1 6.28.2 of Hand book of procedures, with the permission of the STPI & Customs.



## Types of Re-Export

- ✧ Case 1 : Re-Export of Capital Goods for Replacement
- ✧ Case 2 : Re-Export of Capital Goods imported on Loan basis
- ✧ Case 3 : Re-Export of Capital for Repair & Return
- ✧ Case 4 : Re-Export of surplus or obsolete Capital Goods to the supplier / client / parent company. (as per clause 6.15(a) and 6.15(b) of FTP)

### Procedure:

A request letter accompanied with Annexure VI- the Re-export invoice & Annexure VI-A to STPI with necessary enclosures

Re-Export approval issued by STPI

Approach customs for necessary clearance of Goods

## Shifting of Imported/CT3 Goods



- ☆ STP Units are permitted to Shift Imported Capital Goods as per clause 6.13 of the Foreign Trade Policy.
- ⌚ Shifting / Transfer of Equipments - Permanent or Temporary
  - ⌚ One location to other location of the same STP/EHTP unit
  - ⌚ One STP/EHTP/EoU unit to other STP/EHTP/EoU unit in the same jurisdiction (viz Bangalore)
  - ⌚ One STP/EHTP/EoU unit to other STP/EHTP/EoU unit in the different jurisdiction (viz Bangalore & Mumbai)



## Types /Reasons of Shifting / Inter Unit Transfer

- ✧ Shifting for Repair
- ✧ Shifting for Demonstration/Execution of Project/Training / testing / calibration
- ✧ Shifting for Sub-Contracting
- ✧ Shifting in case of Change/Expansion of Location of STP Operations – within the unit's additional premise / change in premise.
- ✧ Inter Unit transfer (100% to 100% EoU) Permanently.



## Procedure for Shifting of Imported/CT3 Goods

- ✧ A request letter giving reasons for shifting.
- ✧ The request letter should be supported by Shifting Invoice signed by the authorized signatory as per Annexure XVIII and VIII-A ( in case of imported CG being shifted) / Annexure XVIII-B (in case of CT3 CG being shifted)

In case of inter-state transfer, obtain NoC from concerned jurisdictional STPI office

- ✧ Shifting approval shall be issued by STPI
- ✧ Approach customs for necessary clearance of Goods



## Debonding of Capital and Indigenous Goods

- ✧ STP /EHTP units are allowed to De-bond the unused capital goods which are imported or procured duty free on payment of applicable customs / central excise duties with the permission of STPI & Customs Authorities.

### Procedure:

A request letter accompanied with necessary enclosures

NoC for De-bonding of CG issued by STPI

Approach customs for necessary clearance of Goods



## Space Expansion or Additional Premises

STP / EHTP units may expand their operations in their existing license by obtaining Space Expansion / additional location approval within the same premise or any where within the same STPI jurisdiction as per clause 6.34 of Foreign Trade Policy -Hand Book of Procedures.

### Procedure:

- A request letter accompanied with necessary enclosures
- Floor plan with dimension details (Sq mts)
- Lease Agreement copy
- Copy of municipal tax paid challan
- Existing customs license

Space expansion approval issued by STPI

Approach customs for necessary clearance and updation in the PBWHL





## Debonding of Premises

STP / EHTP units may De-bond their premise either partially or fully.

Procedure:

- ✧ A request letter stating the reason and necessary enclosures
- ✧ Dimension details of the area being de-bonded
- ✧ Declaration stating that there are no bonded items (either Imports or CT3 goods)

De-bonding of premise approval will be issued by STPI

Approach customs for necessary clearance and updation in the PBWHL



## De-bonding of Capital Goods

STP / EHTP units are allowed to de-bond Imported/CT3 Capital Goods by payment of applicable customs duty as per Foreign Trade Policy Hand Book of Procedures with permission of STPI & Customs authorities



## Destruction or Scrapping of Goods

- ✧ STP / EHTP units are allowed to destroy or Scrap the obsolete Imported /CT3 Capital Goods without payment of customs duty as per clause 6.34 of Foreign Trade Policy Hand Book of Procedures with permission of STPI & Customs authorities



## Subcontracting

STP / EHTP units are allowed to sub-contract part of their export job to other STP / DTA unit for better utilization of resources as per clause 6.14 of Foreign Trade Policy and clause 6.21.1 of Foreign Trade Policy –Hand Book of Procedures.

Procedure:

- ✧ A request letter for Sub-contracting approval with Annexure XX and necessary enclosures
- ✧ Purchase Order copies / Agreement copy for the sub-contract.
- ✧ Percentage of the sub-contract.
- ✧ Disclaimer certificate as to who will be availing the export benefits

NOC for sub-contracting will be issued by STPI

Approach customs for necessary clearances



## Donation of Computers

The STP /EHTP units are eligible to donate the computer to any recognized charitable institution, Government Educational Institutions, Government Hospitals etc.. without payment of duty as per clause 6.30 of the Foreign Trade Policy-Hand Book of Procedures.

### Procedure:

- ✧ Request letter with necessary enclosures
- ✧ Donee's Name and Address
- ✧ Declaration from the Donee's stating that donated computers would neither be sold nor used for commercial purpose.
- ✧ Certificate of Registration of the Donee institution.



## CST Reimbursement

- ⌚ The STP/ EHTP units are eligible for CST re-imburement as per the clause 6.11 ( c) of Foreign trade Policy.
- ⌚ Local purchase of CG within the country, against C-Form shall be reimbursed
- ⌚ The STP/ EHTP units are required to obtain Sales Tax Registration from Sales Tax dept.
- ⌚ To apply as per the procedure prescribed in Appendix - 14 –I – I of FTP handbook of procedures



## **Merger/Amalgamation / Take Over / Transfer of License /Conversion**

STP / EHTP units, as per the clause 6.34 of Foreign Trade Policy

Hand book of procedures –2006-07 may

Merge / Amalgamate with/to other STP / DTA unit

Take Over of license

Transfer of License

Convert from STP Scheme to EoU scheme.

Prescribed procedure to be followed



## CG enhancement

STP/ EHTP unit may apply for CG enhancement approval, once the CG balance reaches 80% of the limit or when it is exhausted.

Procedure :

- ⌚ Request Letter
- ⌚ Annexure 21( CA certified CG details)
- ⌚ Annexure 23A (CA certified performance details)
- ⌚ Annexure 23 B (Projections)

CG enhanced approval shall be issued by STPI

Enhanced CG will be added to the Initial approved CG value.





## Name Change

STP units are allowed to change the name of their company

Procedure:

A request letter with a copy of ROC Certificate affecting the 'Change of Name' of the company.

Amended Memorandum & Articles of Association

Copy of board resolution

# Export Certification



The valuation of Software Export declared on SOFTEX Form will be done by the designated official of STPI at the Software Technology Parks of India (STPI) as per clause 6.34 of the Foreign Trade Policy – hand Book of Procedures

## ⌚ Types of Exports

- ⌚ Offshore
- ⌚ Onsite
- ⌚ Physical

## Export Certification (Contd..)



### ⌚ **Offshore Mode:**

- ⌚ Software Development activity takes place in the 100% EoU premise (STP/EHTP unit) in India
- ⌚ The data/the software developed is transferred to the client through data communication link.

Statutory norms to be followed:

- ⌚ File RBI controlled Softex forms in triplicate ( within 1 month from the date of Invoice)
  - ⌚ Export Agreement /MoU/Contracts
  - ⌚ Export Invoices
  - ⌚ Other supporting documents
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- ⌚ STPI certify Softex forms & invoices
  - ⌚ STP unit approach Authorized Dealers / Bankers for Export realization

## Export Certification (Contd..)



### ⌚ Onsite Mode:

- ⌚ Engineers go onsite and execute the job
- ⌚ System Study
- ⌚ Installation & Implementation
- ⌚ Entire development activity
- ⌚ Training

### ⌚ Physical Mode:

- ⌚ The software development takes place in 100% EoU premise, the data is transferred physically to the client in the form of CD/ cartridge /Floppy etc.,
- ⌚ Export after obtaining permission from Custom formalities
- ⌚ Approach Authorized dealers / bankers for realization

## Reporting & Monitoring



STP / EHTP units are monitored as per  
guidelines prescribed in Appendix – 14-I-G  
of Foreign Trade Policy

## Reporting & Monitoring (contd..)



- ④ Monitoring of EO is done by STPI by obtaining various reports such as
  - ④ Monthly (Annexure 29)
  - ④ Quarterly (Annexure 30)
  - ④ Audited Annual Performance Reports (Annexure-32)
    - Encl. CA certified -Annexure 21 –CG details & Annexure-23A Performance details
    - Annexure - A – Data Communication details
    - Annexure - B – Manpower details
  
- ④ STP/EHTP units EO status will be computed
  
- ④ Units not meeting EO - initiating action as per the FT policy



## **Renewal & Revalidation of Letter of Permission & PBWHL**

STP / EHTP units are eligible to renew their Letter of Permission for next five years or allowed to opt out of the scheme.

- ④ Renewal of LOP is as per clause 6.6 of FTP and 6.3.9 of FTP Hand Book of Procedures

Documents to file:

- ④ Application Form
- ④ Annexure 21(CA certified CG details)
- ④ Annexure 23A (CA certified performance details)
- ④ Annexure 23 B (Projections)
- ④ Project Report
- ④ Other necessary enclosures

If EO met and proposal found feasible - LOP will be extended for next five years

Approach customs for extension of PBWHL, extension of bond period of Capital Goods & Bank Guarantee

## Closure / EXIT from STP/EHTP Scheme



STP / EHTP units are eligible to exit from the STP / EHTP scheme as per the clause 6.18 of Foreign Trade Policy.

Procedure:

- ⌚ Surrender all original approvals
- ⌚ Submit Performance Report
- ⌚ No bonded goods should exist in the premise
- ⌚ Payment of applicable customs duty & service charges
- ⌚ De-bonding of premise
- ⌚ Meeting Export obligation





All procedures and formats / Annexures are available in the STPIB website:

[www.blr.stpi.in/services/  
statutory services/Policy  
and Procedures](http://www.blr.stpi.in/services/statutory_services/Policy_and_Procedures)



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