

19th January, 2021

To

Smt. Nirmala Sitharaman
Hon'ble Minister of Finance
Government of India
North Block
New Delhi – 110 001

Respected Madam,

Subject: Request for Issuance of SEIS notification for 2019-20

This has reference to series of representations from Associations, Chambers, individual companies and members of Services Export Promotion Council with regards to the SEIS scheme for 2019-20. May we assure you that the situation is beyond desperate for huge swathes of the sector and aid in the form of SEIS will provide much relief.

Services sector exporters, reeling under the impact of COVID 19 lockdown and slowdown in demand in international markets, have been pleading to provide a stimulus package to sustain business continuity. However, despite a slew of incentives announced for the manufacturing sector, one plea for release of SEIS by services exporters has not been heeded.

Hon'ble Minister is kindly aware of the immense contribution of services sector in India's economy and export earnings in particular. The following facts highlight its significance:

- Despite COVID, pandemic services sector has managed to retain 90-91% of its last year's performance in terms of overall exports.
- Even during ongoing COVID times, the services sector has shown immense resilience and shown growth, though the contribution from sectors like travel and tourism, aviation, education, healthcare and MVT being almost nil. Services sector has maintained CAGR of 7% to 10% during the last twenty years except for a slight slump in the growth trajectory during two years in this period.
- As per Press Note of Ministry of Commerce and Industry on India's Foreign Trade for the period during April-November 2020, released by PIB on 15th Dec, it is the services sector export, despite a decline by 8.52%, which has managed to ensure a net trade surplus of 13.59BN US\$.
- The net contribution of Services Sector in export for the period April – November 2020 is 55.62BN US\$ offsetting the trade deficit to the tune of 42.03BNUS\$ in the Merchandise sector.

- Further, when we look at the overall Trade Balance by taking into account merchandise and services together, the surplus of 13.59BNUS\$ is quite significant if compared with overall trade deficit to the tune of 61.06BNUS\$ for the period April-November 2019-20.

However, if the services sector is expected to continue to sustain its performance and growth trajectory post the massive impact of COVID 19, intervention through release of SEIS is imperative. Some of the sectors like travel and tourism, Healthcare, Education, aviation and likewise are now struggling to remain in business creating huge losses in business and employment if they were to fail.

Under the existing Foreign Trade Policy, the only specific incentive to Services Sectors is SEIS. However, despite repeated requests from the industry notification for submission of the claims for 2019-20 has not been issued by DGFT. The industry had already made due investment in their business in anticipation of claiming these incentives. The denial of the benefits in COVID times has led to rendering them price uncompetitive, shrinking of capacity building plans and withdrawal from various markets.

Ministry of Finance has already issued a Press Communique on RoDTEP scheme as alternative to MEIS. Manufacturing industries were apprised of the same much earlier and the incentives were continued to be given in its modified form. No such proactive steps were taken into consideration for Services Exporters and they have been left to fend for themselves in these trying times.

Keeping in view the dire need of the services sector we would like to put forth submission as follows:

1. Need for Continuity of SEIS for 2019-2020: Request for issuance of notification for SEIS for 2019-2020.

The Services Sector, in particular Travel and Tourism, Healthcare (MVT) Education, and Aviation is reeling under the impact of COVID-19 and the survival of mid-size and smaller companies are at stake. SEIS can provide some relief towards business continuity and securing retention of work force.

As done in case of MEIS a similar kind of ceiling of Rs.2.00Crore may be introduced for the year 2019-2020 for services exporters. However certain sectors like travel and tourism, Healthcare (MVT), education, aviation which have been going through its worst phase of distress can be exempted from this ceiling for this year only.

(SEPC had submitted its suggestions on SEIS with capping on 2nd July 2020- The details are as attached)

2. Delayed Notification and its impact:

SEIS notification is often issued much later in the financial year. This has created a legitimate expectation that it will be issued late for FY2019-20 too. Notification for the financial year 2017-18 was issued in December 2017 (9 months after its validity began). Therefore, industry legitimately expects that SEIS notification will be issued for this financial year too.

We believe that Hon'ble Minister will kindly take note of the serious concerns of the services sector and give approval for release of SEIS notification.

We may also inform you that SEPC is proactively examining the SEIS scheme and has appointed EY, in consultation with all stakeholders, to frame suitable policy suggestions to be submitted to the Commerce Ministry for the future.

With best regards



Maneck Davar
Chairman

Copy to: Shri Ajay Bhusan Prasad Pandey IAS, Finance Secretary, Department of Revenue
Shri Tarun Bajaj IAS, Secretary (EA), Department of Economic Affairs
Shri Anup Wadhawan IAS, Commerce Secretary, Department of Commerce
Shri Bidyut B Swain IAS, Special Secretary, Department of Commerce
Shri Amit Yadav IAS, Director General, DGFT
Shri Darpan Jain IAS, Joint Secretary, Department of Commerce