

Query Log – Direct and Indirect Tax

(Exclusively for EPCES members)

April'24 – June'24

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Queries received in April 2024

S No.	Querist	Category	Query from Member	Response by Grant Thornton
1.	Parth Shah ASK Investment Managers Limited	LOA/BLUT	Request clarification regarding Form H for SEZ units established in the IFSC. While Rule 53A does not apply to IFSC units, they are still required to submit a false declaration to achieve a positive NFE through Form H (BLUT). Please guide if it's possible to modify Form H to eliminate the reference to maintaining a positive NFE. If the Ministry of Commerce and Industry (MoCI) could issue a clarificatory note or similar guidance on this matter, it would be greatly appreciated.	We acknowledge that the positive Net Foreign Exchange (NFE) condition specified in Rule 53 of SEZ Rules does not extend to IFSC units. Additionally, the format of Form H does not offer any exemption to IFSC units for amending the conditions mentioned in the said form. Therefore, it is advised that IFSC units adhere to the prescribed Form H as per SEZ Law. Further, EPCES will take up this issue with the MoCI to seek clarification on this matter.
2.	Suhas Patil HCL Technologies Limited	APR/MPR	In SEZ APR Part II (Investment in zone since inception), there are two categories: (a) Building and (b) Plant & Machinery. Could you please confirm which value we should include in this table? Should it only account for duty-free assets acquired since the start, or should we also include duty-paid details?	Only duty free assets are required to be reported in Part II of SEZ APR.
3.	Krishnamurthy Rangaswamy DHL Supply Chain India Pvt Ltd	Others	We seek your advice regarding the requirement for a Factory License to operate as an FTWZ unit. Our LOA permits operations like packing, repacking, and labeling, but there are concerns about whether a Factory License is necessary. The Factories Act defines "manufacturing process" to include a range of activities such as packing and treating substances for use, sale, transport, or disposal. We believe Section 51(1) of the SEZ Act, which overrides other laws, may exempt us from the Factory License requirement. Please guide.	We acknowledge that your understanding is correct regarding Section 51 of the SEZ Act 2005, which states that the provisions of the SEZ Act shall have effect notwithstanding anything inconsistent therewith contained in any other law. With regards to the aforementioned provisions, it appears that the provisions of the Factory Act are not inconsistent with the SEZ Act. Further, if any other law requires certain additional conditions to be fulfilled for obtaining a factory license, which seems to be a mandatory requirement for the unit, it is advisable to comply with such conditions to obtain the required factory license.

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4.	Imran	Job-work	Could you please suggest if an advance authorisation (AA) holder wants to send raw materials for Job-work to EOU for manufacturing intermediate products and after completion of Job-work, the intermediate product is returned back to AA and then it is combined with other raw materials at AA premises and ultimately it is exported to overseas to end customer of AA.	An EOU is governed by the provisions of Chapter 6 of FTP and relevant notification under Customs law. As per Para 6.13(b) of FTP, an EoU can undertake job-work for a DTA unit only when such goods are directly exported from EOU. Therefore, response to your query is in negative.
5.	Rahul Kalburgi Aequs SEZ, Belgaum	GST Law	<p>One of our SEZ unitholders has given corporate guarantee to banker in respect of loan taken by sister concerns (SEZ unit and DTA unit). The SEZ unit giving Corporate Guarantee does not charge any commission. In this connection, we would like to know the following in respect of corporate guarantee given by (a) SEZ unit to another SEZ unit & (b) SEZ unit to DTA unit.</p> <p>a. GST implications on the same</p> <p>b. Whether GST is payable onetime or every year in cases where commission is not charged</p> <p>c. How to declare these transactions in GST returns (GSTR1 and 3B) when commission is not charged</p> <p>d. Whether the company giving Guarantee needs to issue Tax invoice on the notional commission as stipulated in GST Law</p> <p>e. Can the receiving entity claim Input tax credit of GST charged on Guarantee</p> <p>f. Is this taxable retrospective or from the date of notification of valuation mechanism (i.e., October 2023 onwards)</p>	<p>Following is the point-wise response -</p> <p>a. As per Section 7 read with para 2 of the Schedule I of the CGST Act prescribes that the services provided to related persons in the course or furtherance of business even without consideration shall be treated as 'supply'. Further, CBIC vide Circular No 204/16/2023 dated 27 October 2023, has categorically clarified that providing guarantee on behalf of subsidiary company to bank/ financial institutions shall be 'supply of service' irrespective of consideration.</p> <p>b. Every renewal of contract shall be a separate taxable event.</p> <p>c & d. GST on Corporate Guarantee would be charged @1% of the guarantee offered in the absence of consideration and that would be reported accordingly in table.....</p> <p>e. Yes</p> <p>f. It will apply prospectively.</p> <p>Please note that zone to zone transaction of services is treated as zero-rated supplies subject to the condition that such service is covered under the uniform list of services. Since, corporate guarantee service is not included in the default list of services for authorized operations of SEZ units. Accordingly, the unit may reach out to the jurisdictional Deputy Commissioner's office for availing benefit of zero-rated supplies on such services. The DC may on merit of the case allow benefit to the unit.</p>

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6.	Rahul Kalburgi Aequs SEZ, Belgaum	DTA Supplies	As part of the year-end book closure activity, we are considering writing off inventory and assets (such as tools, fixtures, etc.) with minimal book value. This accounting action would involve removing the value of these assets from the Balance Sheet and debiting it to the Profit and Loss statement. In light of this, we want to understand whether there are any duty implications related to the write-off of assets.	Duty implication in relation to assets arises when the assets are removed from the SEZ premises in accordance with depreciated value computed as per Rule 49 of SEZ Rules, 2006. Therefore, there would not be any duty implication, when assets are written off in books on achieving the minimum base value.
7.	Samir Gokhale LTIMindtree Limited	DTA Supplies	Is there any provision in SEZ rule for transferring duty paid or duty exempted laptop after using the same in SEZ unit to employee's name. If yes, what will be the process.	The process for removal of assets into DTA is outlined in Rule 49 of SEZ Rules, 2006. Moreover, the removal of old IT assets from a SEZ unit is only permissible under the conditions specified in paragraph 2.31 of FTP, 2023 read with Notification no. 56/2023. According to these provisions, the removal of laptops from the SEZ premises would be categorized as DTA Sales, which are allowable only when the importer possesses a valid import license. Therefore, we understand that the distribution of IT assets to employees may be permitted solely if the employees possess a valid import license, which is unattainable. Consequently, the transfer of laptops to employees is deemed invalid.
8.	Naveen Kainth	Export of Goods/Services	Kindly clarify if an SEZ unit can export used old machinery from SEZ.	As per Rule 34(1) of SEZ Rules 2006, SEZ units may export un-utilized goods out of India.
9.	Viswanath	Import of Goods/Services	We received several small remittances from clients in USD or other currencies through the PayPal gateway. These transactions occur monthly, totaling no more than five transactions each month. All remittances are backed by invoices, but our bank (ICICI) has instructed us to stop accepting payments via PayPal. The bank is unable to clear these transactions from EDPMS report. Please suggest.	It's important to note that in order to comply with RBI guidelines, remittances received by an exporter must be reconciled on the EDPMS portal by the bank. Based on the instructions provided by your bank (ICICI), we understand that they are encountering difficulties in reconciling PayPal remittances on the EDPMS portal. As a result, export invoices are being shown as outstanding on the EDPMS portal. Therefore, it is advised that in accordance with ICICI bank's instructions, PayPal payments should not be accepted. Instead, Company shall explore an alternative payment method in consultation with their bank. This will ensure smoother compliance and reconciliation processes moving forward.

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10.	Suhas Patil HCL Technologies Limited	Bond	We have two units in an EOU within the same customs jurisdiction. As we plan to exit one unit, we have decided to transfer all duty-free imported capital goods and raw materials to our other EOU unit. We seek your guidance on the following questions: 1. Do we need to debit the receiving unit's B17 bond. 2. Does GST apply to this transfer, given that both units are in the same jurisdiction.	Please find pointwise reply to your queries as below: 1. The receiving unit is required to debit its B17 bond with the value of goods transferred. 2. Such inter unit transfer is considered as supply for the purpose of GST and therefore attract GST on such transaction.
11.	Anand-R DCUBE Ai Systems & Services Private Limited	Zero-rated supply	Please guide on IGST exemption status for health insurance premiums paid for our employees. Specifically, we are seeking information on: a. Whether health insurance premiums paid for our employees qualify for IGST exemption under the SEZ framework. b. If so, what steps or documentation are required to access this exemption? c. Are there any particular guidelines or regulations we must follow to qualify for exemption?	Uniform list of services specifically covers the services procured directly in relation to business of unit. Since health insurance for employees is not considered a service with a direct nexus to business activities of unit, it may not be allowed to be procured duty-free. Since, group health and medical insurance services are not included in the default list of services for authorized operations of SEZ units, consequently, the health insurance services provided to employees by the SEZ unit would not be eligible for GST exemption.
12.	Mohan Rai Veer-O-Metals Private Limited	DTA Supplies	We have received a permanent SION approval letter issued by the Joint Development Commissioner, CSEZ, Bangalore, based on the Norms Committee, DGFT, Delhi. When disposing of scrap, do we need prior approval from EPC, or an intimation is sufficient. Please note our scrap percentage is within the limits set by the norms committee.	In case the disposal of scrap is within the fixed SION norms, the intimation to authority would suffice.
13.	Krishnamurthy Rangaswamy DHL Supply Chain India Pvt Ltd	MOOWR	A client, which is an overseas entity associated with our unit, supplied capital goods to OEMs in India under the MOOWR scheme. These capital goods were utilized but have become obsolete due to technological changes. The OEMs now plan to export these goods back to our client at FTWZ. Our client will either re-export the goods or scrap them in India. FAQ on MOOWR (Q16) states that capital goods imported by a MOOWR unit can be exported back without paying customs duty. Once the MOOWR unit exports the goods to the overseas entity at FTWZ, can the goods be scrapped or destroyed by handing them over to SEZ recycling units according to Rule 39(1) of SEZ rule 2006. Please advice.	Rule 39 of SEZ Rules, 2006 specifies the provisions for destruction of goods by SEZ unit. From the definition under SEZ Act, FTWZ is also treated as an SEZ for the purpose of the Act. Accordingly, the units within FTWZ are permitted to dispose of goods in accordance with Rule 39.

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14.	Samir Shah	Import of Goods/Services	Can SEZ unit procure gold and precious stone i.e. diamond from foreign customer.	SEZ unit can import Gold and precious metals for export purpose.
15.	Samir Shah	Import of Goods/Services	In furtherance to above query, can we procure on loan basis also, since we are doing job work for certain order.	As per the amendment made in Rule 27 of SEZ Rules 2006, SEZ units may procure gold, silver, or platinum on loan basis from foreign buyers and subsequently export them to the same foreign buyers.
16.	Vikram j n British Engines India	Export of Goods/Services	We need clarification on the process and documentation for GST and exports in the following scenario. We received an order from a UK customer (A) to supply parts. The purchase order is issued to us (British Engines India) with A as the buyer and the delivery address for B, a customer in India. The purchase order is in GBP. We will deliver the shipment to B in India and invoice in GBP as per the PO from A. In this transaction, A is the buyer and B is the consignee. We will receive the invoice payment from A in the UK after delivering the shipment to B in India. We need to understand whether this transaction is classified as a local sale or export. If it is an export, we are unsure whether we are allowed to receive payment in GBP from A without a shipping bill. If this transaction is a local sale, can we still invoice in GBP per the PO from A, charge IGST, and receive proceeds in GBP from A.	This bill-to-ship-to concept would not qualify as export. In this scenario, the goods need to be removed under BOE with applicable taxes. There is no restriction on raising the invoice to foreign client in GBP for such transaction.
17.	Vikram j n British Engines India	Export of Goods/Services	In furtherance to above query: 1. Do we need to charge GST on the invoice and supply(value of the invoice will be equivalent to GBP). 2. Will the bank permit us to receive and credit funds in GBP to our account for a supply made to India, where the buyer is based in the UK, but without any shipping bill, bill of lading, or airway bill. Are there any circulars or references that address transactions like this.	1. All the taxes (including custom duty) would be paid on such local sales. 2. Payment is always acceptable in convertible foreign currency and GBP is considered as convertible foreign currency.
18.	Vikram j n British Engines India	Export of Goods/Services	In furtherance to above query, can it be understood that, local invoice can be made in GBP with consignee as delivery address in India and buyer as UK and receive funds in GBP in our bank from buyer in UK.	Yes, your understanding is correct.

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19.	CA Shraddha Solanki Labelkraft Technologies Limited	LOA/BLUT	Please guide on compliance procedures for sending goods from an SEZ trading unit to a unit registered under the MOOWR scheme for job work. What are the required documentation and whether formal notification to the Assessing Officer (AO) is necessary for these transactions.	An SEZ unit can send the goods for job-work under the provisions of Rule 41 of SEZ. Following are important points and documentation - <ul style="list-style-type: none"> - A permission for sub-contracting is required to be obtained from the Zonal DC office; - Goods need to be brought back within 120 days along with waste and remnants; - A temporary removal (TR) challan is to be issued from SEZ online portal for removal of goods; - From GST compliance perspective, a delivery challan and e-way bill is also required to be issued for effecting removal of goods. - Proper record for outward and inward of goods required to be maintained - Transaction shall also be disclosed in GST return (ITC-04)
20.	K.P. Damodharan Deco De Trend	EPR	Our EOU unit has been importing PVC packing items for past 20 years without any issues. However, the customs authority is now requesting us to provide an Extended Producer Responsibility (EPR) certificate for our current import shipment, which has already arrived. We seek your guidance on whether this certificate is necessary for EOU units, given that, according to FAQ 26 from the Central Pollution Control Board (CPCB), EOUs are exempt from EPR registration.	As per the "Plastic Waste Management (Second Amendment) Rules, 2023" dated 30 October 2023, EPR guidelines shall not apply to the EOU, SEZ unit. However, the exemption does not apply to pre-consumer plastic packaging waste generated by such units. Accordingly, they are still required to comply with the EPR guidelines for pre-consumer plastic waste (if any). Further you may refer to Rule 9 read with clause 4 of Schedule II of Plastic Waste Management (Second Amendment) Rules, 2023" dated 30 October 2023, outlining the entities which are covered under the EPR obligations and provisions.
21.	Shyam Sharma Ernst & Young LLP	DTA Supplies	We have some laptops which were lost by our employees, now we want to know the procedure and SEZ rule to de-bond or pay the applicable duty on the same.	In case a laptop is lost, the unit is required to immediately file a FIR. Such a transaction will be considered as transfer of a used asset into the DTA, falling under the regulations specified in Rule 49 of SEZ Rules, 2006. Consequently, the unit is obligated to inform the Customs Officer and settle the applicable duties calculated in accordance with Rule 49(1)(c) of SEZ Rules. Relevant documents such as procurement invoices, copy of FIR, Challan copy etc. are required to be submitted with the customs authorities.

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22.	Manoj Nirmala Sukumaran ESC Utility services	Zero-rated supply	<p>We offer group medical health insurance (GHI) to our employees and their families to support their health and productivity. However, our supplier (Reliance) is refusing to provide the insurance premium without GST. They cite a notification from CBIC (Notification No. 27/2023 dated 31 July 2023), which states that, starting from 1 Oct 2023, only supplies intended for 'authorized operations' of SEZ units or developers qualify as 'Zero Rated Supply.'</p> <p>We request clarification on whether group medical insurance falls under the authorized operations list and if we can procure it without IGST for our operations.</p>	<p>An SEZ unit is entitled to procure services for its authorised operations and a list of services has been notified by MOC which is commonly known as default services. Uniform list of services specifically covers the services procured directly in relation to business of unit. Since health insurance for employees is not considered a service with a direct nexus to business activities of unit, it may not be allowed to be procured duty-free. Further, group medical health insurance services are not included in the default list of services for authorized operations of SEZ units. Consequently, the medical insurance services provided to employees by the SEZ unit would not be eligible for GST exemption.</p>
23.	Veerapandian. S Nanguneri AMRL Hi-tech city Ltd	Zero-rated supply	<p>We have received TWAD water tariff bill which includes a GST charge of 18%. According to SEZ Act, GST is exempt for all material supplies and services within a SEZ. We request that you provide a letter or reference to the relevant rule/act to obtain a GST exemption from the TWAD board for water supply.</p>	<p>As per exemption Notification No. 12/2017- Central Tax (Rate) dated 28 June 2017, services offered by government entities or local authorities concerning functions entrusted to a municipality under Article 243W of the Constitution are exempt from tax. You may refer the same for seeking GST exemption on water supplies. Rest assured, the water supply services provided by the TWAD board, for which GST is levied, fall under this exemption.</p>
24.	Vivek Malik Milak Warehouse	Import of Goods/Services	<p>We are requesting clarification on whether SIMS applies to SEZ units in the following cases:</p> <ol style="list-style-type: none"> 1. When metal scrap from maintenance work originally sourced from Indian domestic suppliers is removed to scrap dealers. 2. When empty used metal drums, previously used for packing oil or liquid containers, are removed to scrap dealers in India. 	<p>In accordance with Policy Circular 29/2015-20 dated October 4, 2019, and Circular 30/2015-20 dated January 8, 2020, the SIMS certificate is applicable to imports of iron and steel into SEZs, while it does not extend to local procurements. Further, SIMS registration is mandatory for imports under Chapters 72, 73, and 86 of ITC (HS) 2017, whereas PIMS registration is required for importing paper and paper products under Chapter 48 of ITC (HS) 2017. These registrations are relevant only when the products are imported by the SEZ unit. Additionally, there is no need for SIMS registration again when supplying those items to DTA without processing. However, if the manufacturing in SEZ leads to a change in the HSN Code at the 8-digit level, the DTA importer must register under SIMS.</p>

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25.	Thiagarajan TC	DTA supplies	<p>We have imported CNC machines that are about a decade old, and our unit maintains a positive NFE balance. All our input procurements are sourced domestically and subject to GST; we do not import any inputs. We would like to debond certain imported capital goods after applying the appropriate depreciation and paying any applicable customs duty and taxes. This proactive approach to partially debonding the imported capital goods will allow us to finalize a sale transaction as soon as we find a buyer. The debonded machinery will remain in our facility until the sale transaction is complete. We kindly request your guidance on the procedure we need to follow.</p>	<p>Rule 48 and 49 of the SEZ Rules, 2006, delineate the procedures governing the removal or sale of goods to DTA units. As emphasized, a DTA unit must file a Bill of Entry (BOE) containing a comprehensive description of the goods and/or services, including make, model number, serial number and specifications, along with the invoice and packing list with the Authorized Officers for the physical removal of goods from the SEZ premises before debonding them.</p> <p>Further, since there is no specific provision highlighting the possibility of debonding goods before identifying any DTA buyer and keeping them within the SEZ premises, we understand that, as highlighted in Rule 49(1)(a), duty computation for such DTA removal goods shall be conducted at the prevailing rate on the date of their removal. Hence, it can be inferred that duty computation, filing of the bill of entry and other documentations are only feasible in the presence of a confirmed DTA buyer for the goods. Consequently, we understand that debonding can only be executed once the SEZ unit has a confirmed buyer for undertaking all above said documentation and procedures.</p> <p>Upon receiving additional confirmation, we understand that the unit operates as an EOU. Further, building upon our previous communication and conjoint reading of Notification no. 52/2003 Customs dated 31.03.2003 and Para 6.14(b) of FTP 2023, the following steps are advised in relation to partial debonding of capital goods:</p> <ol style="list-style-type: none"> a. Obtain in-principle approval for the partial debonding of capital goods. This involves seeking formal consent from the relevant authorities for the partial removal of goods from a bonded area. b. Once the buyer is identified, reach out to customs authorities with the duty certificate to secure a customs NOC. <p>Further, it's important to note that in situations where the depreciated value of goods reaches zero, custom duty is waived and only GST is applicable on the transactional value.</p>

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26.	MN Satyanarayana Natco Pharma Limited	LOA/BLUT	<p>We manufacture pharmaceutical formulations such as tablets and capsules within an SEZ. We seek your guidance on below:</p> <p>1. Destruction of various materials -According to rule 39 (1) & (2), we intend to destroy goods without paying duty. This includes goods procured from DTA, imported for authorized operations, as well as manufactured goods including rejects, waste, and scrap from regular manufacturing and packaging operations. Given these circumstances, can we proceed with the destruction of these materials without paying duty.</p> <p>2. Our final products are tablets and capsules. The product names vary based on the active pharmaceutical ingredient (API) used in manufacturing, reflecting the brand or generic name of the API. We have approval to manufacture up to 1000 million tablets and capsules per year. Do we need to include every product name in LOA even if they are just different versions of tablets or capsules.</p>	<p>Please find below the response to your queries mentioned in shared files:</p> <p>1. In response to your query related to destruction of goods, the SEZ unit may destroy goods including capital goods procured from DTA/ imported/ manufactured, without payment of applicable duties in line with Rule 39 of SEZ Rules, 2006. Further, same is required to be done after advance intimation to Specified officer of the unit.</p> <p>2. In response to your query related to broad-banding in LOA, we understand that the unit has already obtained approval of its LOA which includes manufacturing of tablets and capsules. Given that the only variation lies in the product name based on the active pharmaceutical ingredient (API) used, accordingly it is not warranted to include each product name in LOA of the unit.</p>
27.	MN Satyanarayana Natco Pharma Limited	LOA/BLUT	In furtherance to above query, please see the initial LOA copy is for your reference and advice for broad banding.	While going through the copy of LOA shared, it seems that the unit has acquired approvals based on the specific names of the resulting products. Additionally, if there are modifications in the resulting product due to the utilization of different APIs, which are not included in the products for which approval has already been obtained, the unit may be required to seek new approvals for the inclusion of these new resulting products.
28.	Rahul Kalburgi Aequs SEZ, Belgaum	Sub-contracting	Please confirm if an EOU requires prior permission of DC/UAC for sub-contracting abroad as we intend to ship the FG abroad for coating process. The FG after coating process will be directly shipped to the end customer by the overseas sub-contractor.	As per Para 6.13(b)(iv) of FTP 2023, the EOU may subcontract part of the production process abroad as mentioned in its LOP. No permission would be required when goods are sought to be exported from sub-contractor premises abroad. Prior intimation to concerned DC and Customs authorities is required only when goods exported are sought to be brought back.
29.	Suhas Patil HCL Technologies Limited	Exit from SEZ	How to apply for in principle exit from SEZ scheme. What is application process and how to get approval.	As per Rule 74 of SEZ Rules, 2006 (Exit of Units), the unit may opt of SEZ with approval of DC subject to payment of applicable duties. The unit shall execute a legal undertaking in Form L.

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30.	Ch.S.S.Sekhar RD VSEZ	EPCEG	Please share the necessary documents and the step-by-step submission process on DGFT portal for filling EODC by EPCG scheme user.	<p>On completion of an export obligation, the authorization holder (exporter) receives an Export Obligation Discharge Certificate (EODC) on providing an application in ANF 5B to the respective regional authority under the DGFT. After completing an export obligation, the exporter must provide documentary proof of the export transaction like shipping bill and bill of export to DGFT for closure of the advance license. The regional authority will issue an EODC to the said authorized holder after completing all advance license formalities.</p> <p>Below are the steps to apply for an EODC online:</p> <ol style="list-style-type: none"> 1. Visit the DGFT website. 2. Click on 'Advance Authorisation/DFIA' under the services tab. 3. Click on 'Redemption/Closure of Advance Authorisation'. 4. Login to the website by entering the required details. 5. Click on either of the two options displayed as suitable: 'Start the Application' or 'Proceed with an Existing Application'. 6. Fill in the mandatory requirements. Non-exchange data interchange (non-EDI) documents, including shipping bills, bills of entry, CA certificates and bank guarantees, are not automatically updated. The authorization holder must upload non-EDI documents to the relevant database before applying for an EODC. 7. Click the 'Export' tab to check export details and add them to the database. 8. Click the 'Input' tab to check input details. 9. Click the 'Redemption Matrix' tab for license redemption/surrender, regularizing duty paid and waiver of bond. 10. Click the 'Attachment' tab to attach non-EDI and related documents stated in step 6. 11. Click the 'Declaration' tab after checking all boxes and accepting the terms and conditions. Fill out the company particulars and sign the online EODC application via digital signature or Aadhaar card. 12. Click the 'Summary' tab and save it in PDF format. 13. Submit the online EODC application

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31.	Vijay Gujarathi (EOS Power)	SEZ set up	We plan to establish a new unit for assembling and manufacturing electronic products, which will be entirely exported to North America and Europe. We aim to lease a ready-to-move-in space of 100,000 to 200,000 sq. ft. As government SEZs may not offer the space we need, we are considering leasing factory sheds in private industrial parks. It is possible to set up an EOU in this private industrial park and receive the same benefits as a SEZ.	EOU and SEZ are two distinct business operating models in India. SEZs are eligible for more tax benefits as being treated foreign territory. On the other hand EOU's are eligible for duty free import of CG and inputs.
32.	V. Muthuraman SUTHERLAND	EPCEG	We operate multiple SEZ, DTA, and STPI units within a single entity. Do we need to maintain separate books of accounts (P&L and TB) for each unit (whether SEZ, DTA, or STPI) according to SEZ and GST provisions? Please clarify.	Rule 19(7) of SEZ Rules 2006 states that if an entity operates both Domestic Tariff Area (DTA) and Special Economic Zone (SEZ) units, they are obligated to uphold two separate identities, each with their own distinct set of books of accounts.
33.	Vinod Balan Ultra Laboratories Private Limited	Export of Goods/Services	Please guide on the documentation formalities for exporting of pharmaceutical products to Philippines.	Please find below list of documents required for export of goods: <ul style="list-style-type: none"> - Copy of Tax invoice; - Copy of bill of lading or airway bill; - Copy of Shipping bill - Copy of Insurance documents, if shipments are sent CIF; - Copy of Packing list; - Copy of Certificate of Origin (COO) - Copy of Export license - Any other (as specified)
34.	Vinod Balan Ultra Laboratories Private Limited	Export of Goods/Services	In furtherance to above query, we need to know is there any kind of registration procedure to be done before taking up the export process to Philippines.	For export of goods from India, you must have a valid Import-Export Code (IEC), RCMC and Certificate of Origin for goods being exported. Shipping related information shall be provided by your CHA only.

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35.	Solly Mathew Cocolatex Exports Pvt. Ltd	GST Law	<p>All EOU units and Advance Authorization (AA) holders who utilized the benefits of Notification No. 78/2017 or 79/2017 are now being asked to return collected refunds, with allegations of violating Rule 96(10). This demand is unjust and legally questionable. Our unit, located in Alappuzha, primarily exports rubber latex sheets but also engages in occasional local sales. As per FTP, the Customs department introduced Notification No. 52/2003 to establish the EOU scheme and AA scheme to boost exports, allowing imports without paying basic customs duty and other taxes under export obligations. With the introduction of GST, local taxes on EOU procurements were discontinued, requiring exporters to pay local taxes upfront and seek refunds using specific methods. Despite the new provisions, EOU and AA holders continued to receive benefits under Notifications 78/2017 and 79/2017, which allowed exemption from BCD, IGST, and compensation cess until 30 June 2022.</p> <p>However, since 2018, the introduction of Rule 96(10) under CGST Rules, 2017 have restricted exporters who utilized the aforementioned notifications from availing refunds by paying IGST on exports. This restriction contradicts the intent of zero-rated exports as outlined in Section 16 of the IGST Act. EOU and AA holders followed the law in utilizing tax refund methods, and there is no evidence of double benefits. The demand for refund repayments based on alleged Rule 96(10) violations puts undue strain on exporters and impedes their ability to compete internationally. We urge the relevant authorities to address these concerns.</p>	<p>As per Section 16(3) of IGST Act 2017, the taxable person may claim the refund of unutilized input tax credit on supply of goods or services or both, without payment of integrated tax under cover of LUT, in accordance with the provisions of section 54 of CGST Act, 2017 by filing a separate application under RFD-01, as highlighted in your email as well.</p> <p>However, we understand that the unit has opted to pay tax on export of goods and claim refund of tax paid under Rule 96 of CGST Act 2017. In this regard, there exists a restriction under Rule 96(10) of CGST Act 2017, which prohibits an EOU from claiming refund of IGST paid on exports of goods or services if the tax benefit were received on the import of goods under Notification 78/2017 - Customs dated 13 October 2017.</p> <p>Further, please note that the validity of Rule 96(10) CGST Act, 2017 has been legally challenged in various courts. Precisely, the Gujarat High Court has granted interim relief to petitioners directing adjudication authorities to halt coercive recovery in certain circumstances. You may consider filing a similar appeal with the jurisdictional authorities and seek a stay on further proceedings.</p>

S No.	Querist	Category	Query from Member	Response by Grant Thornton
36.	Chandru Ramachandran Kanishka Granites	GST Law	<p>We require your clarification on the below cases under RCM:</p> <ol style="list-style-type: none"> Whether RCM under GST is applicable only for intra-state supply of services/goods or applicable for inter-state supply also. Whether RCM is payable under IGST Component (or) CGST/SGST Component by the unit in Tamil Nadu, having utilized transportation services from unregistered party in other state. As per Section 24 of CGST Act, compulsory registration is mandatory for persons engaging business in inter-state supply, irrespective of threshold value. In such case, I believe that the question of RCM does not arise when service is availed from inter-state supply. Please clarify. 	<ol style="list-style-type: none"> Please note that the place of supply for categorizing goods or services under GST is governed by the place of supply provisions under Sections 10 to 13 of the IGST Act, 2017. These provisions also apply to determining RCM liability, which means that RCM under GST could be applicable for both intra-state and inter-state transactions depending on the place of supply. Your question is not clear with reference to transportation of goods or passengers. Accordingly, you may refer to Section 12(9) of IGST Act, 2017 to determine the type of tax in relation to passengers' transportation services and Section 12(8) of IGST Act, 2017 for transportation of goods . Additionally, regarding your query on compulsory registration under Section 24, please note that under clause (iii) of this section, any person required to pay tax under RCM must obtain GST registration regardless of any threshold limit. It is also to be noted that RCM is levied on specific transactions regardless of nature of taxpayer.
37.	Chandru Ramachandran Kanishka Granites	GST Law	<p>In furtherance to above query, Please clarify below points as well:</p> <ol style="list-style-type: none"> Regarding the query no.2, the unit registered in Tamil Nadu has engaged unregistered transporter in other state (Andhra Pradesh) for movement of goods from a Granite quarry in Andhra Pradesh to nearby seaport for export shipment. In such case, whether the payment of GST under RCM is to be paid under IGST or CGST/SGST by the recipient of service who has business premise registered in Tamil Nadu. Whether RCM applies only for the notified services and goods for which supply was made from unregistered party to registered party or is it applicable to all supplies received by registered party from unregistered party. Whether RCM ITC would auto appear in GST portal or should we need to manually add the value in eligible credit of GSTR-3B in subsequent month. 	<p>Please find pointwise reply to your query as below:</p> <ol style="list-style-type: none"> In accordance with Section 12(8) of the IGST Act, 2017, the place of supply for transportation of goods services provided to a registered recipient is the location of their registered premises, which in this case is Tamil Nadu. The supplier's location, i.e., the transporter, is also in Tamil Nadu. Therefore, under Section 7 of the IGST Act, the transaction is classified as an interstate supply and subject to IGST. Please note that the RCM applies to specific notified services and goods, regardless of the registration status of the supplier. ITC for RCM transactions must be entered manually in the GSTR-3B return in order to claim the benefit of ITC.

S No.	Querist	Category	Query from Member	Response by Grant Thornton
38.	Mangesh G Raskar Accenture Solutions Private Limited	Import of Goods/Services	Please clarify, as a 100% EOU under the STP scheme and SEZ Unit do we need to obtain Import Authorization from DGFT for import of Laptops, Tablets, All-in-one Personal Computers, Ultra small form factor Computers and Servers falling under HSN 8471 . We use these assets procured under said chapter heading for self consumption and our operations and it contradicts Policy circular no. 6/2023-24 dated 19.10.2023.	Policy Circular No. 9/2023-24 provides additional clarification regarding Notification 23/2023 dated August 3, 2023, which restricts the requirement for obtaining valid import authorizations for the import of goods in five specified categories. However, Circular No. 06/2023-24 extends the provisions of Notification 23/2023, exempting EOUs and SEZs from needing to obtain import authorization. As per Circular 6/2023-24, your EOU and SEZ unit are not required to secure import authorization or registration for the importation of IT hardware, which is restricted under Notification 23/2023 and intended specifically for captive consumption.
39.	Sashi Varma XO Pack Private Limited	DTA Supplies	We want to sell a used vehicle to someone outside the SEZ which was bought in 2013. No tax exemptions were claimed. Do we need to pay customs duty on such sale. We understand that 18% GST on the difference between the sale price and the current value is required to be paid. Please confirm.	You may refer to Rule 34(iv) of SEZ Rules, 2006, read Rule 49(1) of SEZ Rules, 2006 for removal of used car from SEZ to the DTA, which may attract applicable IGST on this transaction. The concessional rate of GST on old and used vehicles may be applicable, as specified in Notification No. 9/2018 – Integrated Tax (Rate). Please note that it is important to verify the specific details and conditions mentioned in the notification.
40.	Suresh Bonagiri Pilkington Automotive India Pvt Ltd	LOA/BLUT	We are 100% EOU with a valid LOP for production and sale of laminated windscreens, and we operate an in-house facility for manufacturing packing materials (wooden crates). We are considering using this facility to produce packing materials for sale to nearby SEZ units. Please help us address the following questions: 1. Can we produce and sell these packing materials to an SEZ unit? 2. If yes, do we need any additional permissions? 3. Do we need to notify anyone before starting this new business? 4. Are there any special instructions or additional requirements to fulfill? Please guide us on how to proceed with starting this new venture on the existing premises.	We understand that the EOU is venturing into a new operation of manufacturing wooden cartons, which is beyond their current authorized operations. It's important to note that EOUs are permitted to broaden their activities for similar goods and activities outlined in their LoP, or to establish backward or forward linkages to their existing line of manufacture, which doesn't apply in this scenario. Therefore, prior to incorporating a non-similar product into their LoP, the unit should carefully evaluate the regulatory requirements and seek approval from the jurisdictional officer.

S No.	Querist	Category	Query from Member	Response by Grant Thornton
41.	P. Kannan ATC Tires Pvt Ltd.	DTA Supplies	We have been manufacturing and exporting tires since 2008. We are selling manufacturing and packing scrap in the DTA market, paying full customs duty. Manufacturing scrap is handled by a pollution control board registered dealer, but non-manufacturing scrap like iron and aluminum is sold without registration due to small quantities. Customs officials insist on disposing of all scrap through pollution control registered dealers. Please clarify.	18
42.	Samir Gokhale LTIMindtree Limited	DTA Supplies	Our customer in US had sent 1 No. Cisco Router to our SEZ unit. The same was cleared from customs under bill of entry and by paying applicable duty. Is there is any provision to transfer duty paid goods from one SEZ unit to another SEZ unit without payment of duty.	As per Rule 34 of SEZ Rules, 2006, the unit may transfer the goods imported into the zone to another unit without payment of duty on the same.
43.	Rajasekhar VSF Projects Limited	LOA/BLUT	SEZ Developer is attempting to register with ICEGATE 2.0. The registration process requires us to upload a digitally signed Letter of Approval (LOA). Could you please provide guidance on this matter. Additionally, let us know if details about LO Code are applicable.	Digitally Signed LOA or other documents mean digitally signed by the unit only and not by the authorities who issued it. Further, at present , UAT is being carried out by SEZ and ICEGATE Customs authorities by registering a few units in each designated SEZ for User Acceptance Testing (UAT) in a controlled environment of ICEGATE (and not real live ICEGATE) and only when UAT is done , units in general can register on live ICEGATE and all details will be available on ICEGATE. More details will be available from the office of Development Commissioner. RD VSEZ , please be informed regular touch with DC office for the latest status and keep the units informed .
44.	Rajasekhar VSF Projects Limited	LOA/BLUT	In furtherance to above query, please note that we are not the unit in a SEZ rather notified as developers of SEZ (Multi Product FTWZ). Do we need to register in ICEGATE , if so please let us the process.	If you want to import any goods or procure any goods from DTA , you may have to.

S No.	Querist	Category	Query from Member	Response by Grant Thornton
45.	Sahana G T J.P. Morgan services India Pvt Ltd	EPR	This is regarding EPR registration for plastic waste management for our 100% EOU under the STP and SEZ scheme, in accordance with the attached notification of the Plastic Waste Management (Second Amendment) Rules, 2023. We seek clarification on the condition stating, "pre-consumer plastic waste generated by such units is not exempt from the above provision." As an IT-ITES company, we import goods for our own use and not for resale. Please advise us on whether we fall under this condition and need to obtain EPR registration for plastic waste management.	<p>Rule 2 of Plastic Waste Management Rules was amended on 30th October 2023. As per the Plastic Waste Management (Second Amendment) Rules, 2023, Rule 9(1) i.e., EPR guidelines shall not apply to the EOU, SEZ units, and to other units manufacturing plastic packaging or on plastic packaging used for packaging products for export against an order for export (except for pre-consumer plastic waste).</p> <p>It is important to note that the said exemption provided is not applicable to pre-consumer plastic waste. Pre-consumer plastic waste has been defined under rule 3(ra) as 'means plastic packaging waste generated in the form of reject or discard at the stage of manufacturing of plastic packaging and plastic packaging waste generated during the packaging of product including reject, discard, before the plastic packaging reaches the end-use consumer of the product'.</p> <p>On preliminary reading, it may appear that a company in the service industry importing goods for captive consumption may not fall under the said definition. However, it is pertinent to note that based on the understanding shared by the Ministry if any plastic waste gets generated and dumped in India, then EPR guidelines are required to be complied with. Thus, in case any plastic waste is getting generated in India, you may consider raising the said query before the EPR helpdesk at epplastic.cpcb@gov.in.</p>
46.	R. Sankara Subramanian Vishwa-Syntharo PharmaChem Private Limited	GST Law	Is there any timeline that has been stipulated as maximum for obtaining GST refunds from: 1. Centre (IGST) 2. State (RFD / LUT route)	According to section 54 of the CGST Act, 2017, taxpayers have the option to file refund under GST up to 2 years from the relevant date, as defined in the explanation following sub-section (14) of section 54 under both the scenarios i.e. applying refund under with payment of tax and under LUT mode.
47.	R. Sankara Subramanian Vishwa-Syntharo PharmaChem Private Limited	GST Law	In furtherance to above query, please clarify what is the maximum date by which the department has to refund the amount due, from the date of filing of RFD-01 or filing GSTR-3B under IGST payment route.	There is a timeline of 60 days within which refund should be sanctioned after acknowledgment of RFD01 on the portal. Department has 15 days time to acknowledge or issue a deficiency note from the date of filing online refund application. Refer section 56 of CGST Act.

S No.	Querist	Category	Query from Member	Response by Grant Thornton
48.	Somappa Indic EMS Electronics Pvt. Ltd. EXIM	APR/MPR	What is the difference between GCA Exports & RPA Exports.	<p>In the context of international trade and finance, General Currency Area (GCA) and Rupee Payment Area (RPA) refer to two different zones for trade payments:</p> <p>General Currency Area (GCA):</p> <ul style="list-style-type: none"> - The GCA refers to countries with which a particular country (such as India) conducts trade and settles payments in freely convertible foreign currencies like the US dollar, the euro, or the pound sterling. - In the GCA, exports and imports are invoiced and settled in the currency agreed upon by the trading partners, usually a widely accepted international currency. - Trading in the GCA allows for flexibility in payment methods and is often chosen for ease of transaction and widespread acceptance. <p>Rupee Payment Area (RPA):</p> <ul style="list-style-type: none"> - The RPA is a zone where trade and financial transactions are conducted using the Indian rupee (INR) as the settlement currency. - RPA is typically used for trade between India and specific neighboring or partner countries where mutual agreements have been established for settling trade transactions in rupees. - This system can be advantageous for countries within the RPA as it minimizes foreign exchange risk and can facilitate trade by removing the need for currency conversion. <p>In summary, GCA exports are trade transactions conducted using internationally accepted currencies, while RPA exports refer to trade transactions settled in Indian rupees between India and certain partner countries within the Rupee Payment Area.</p>
49.	Savitha Sripathi Stems N Leaves International	Merger	We are amalgamating with one of our sister concern to improve our company's financial health. We hold certificates and licenses such as LOP and Green Card for 100% EOU, permission for self-sealing of export cargo, One Star Export House certificate and RCMC from EPCES. We seek advice on whether the certificates and licenses can be transferred to the new company after amalgamation.	<p>In case of merger of two or more companies sanctioned by an order of a High Court, Tribunal, or otherwise, where the acquiring company exists and the acquired company is required to transfer all its assets and liabilities to the acquiring company. After such an order is received, the change needs to be intimated to the jurisdictional officer and accordingly, the unit may be required to furnish the revised LOP and other certificates/licenses with the respective authorities.</p>

S No.	Querist	Category	Query from Member	Response by Grant Thornton
50.	Namdeo Shelke	Import of Goods/Services	We imported free-of-cost (FOC) moulds from our German counterpart under procurement certificate/IGCRD, so we didn't pay for them. Now, our German partner wants us to buy the moulds and pay for them. Since we declared these moulds as FOC in our Import BOE, how can we remit payment to Germany. Normally, we need to submit the invoice and Import BOE to the bank for remittance. Do we need to pay any customs duty on this transaction. We're not planning any de-bonding as the moulds will stay in EOU premises. Around 50% of the entire moulds' warehousing period has expired (beyond 10 years). We seek advice on regularizing the moulds from FOC to payment and on how to pay for these older FOC moulds to Germany. What documents and approvals do we need, and from whom.	You will have to get the BOE amended basis the revised invoice provided by your German supplier. You should be able to make payment post amendment in BOE. Your CHA can help you through the process.
51.	Sunder Iyer J.P.Morgan Services India Pvt. Ltd	Import of Goods/Services	Please clarify, as an 100% EOU under the STP scheme, do we need to obtain Import Authorization from DGFT for import of Laptops, Tablets, All-in-one Personal Computers, Ultra small form factor Computers and Servers falling under HSN 8471 . We use these assets procured under said chapter heading for self consumption and our operations and it contradicts Policy circular no. 6/2023-24 dated 19.10.2023.	Policy Circular No. 9/2023-24 provides additional clarification regarding Notification 23/2023 dated August 3, 2023, which restricts the requirement for obtaining valid import authorizations for the import of goods in five specified categories. However, Circular No. 06/2023-24 extends the provisions of Notification 23/2023, exempting EOUs and SEZs from needing to obtain import authorization. As per Circular 6/2023-24, EOUs are not required to secure import authorization or registration for the importation of IT hardware, which is restricted under Notification 23/2023 and intended specifically for captive consumption.
52.	Binta Joby Sance Laboratories Pvt. Ltd.	Export of Goods/Services	Being an EOU, can we supply our goods to a company registered in SEZ. If so, how the shipment should be done as the goods are finally to be shipped to Ukraine. Will such shipments be considered as our export. Can we supply on the basis of LUT. Further, the purchase order be in USD and the SEZ unit is ready to settle the payment also in USD.	As per Notification no. 52/2003 read with Para 6.09 of FTP 2023, an EOU can undertake supply to the SEZ unit, provided that such goods are permissible for procurement as mentioned in Para 6.01 and the unit meets the conditions mentioned in Para 6.19 of HBP 2023. Additionally, Paragraph 6.08(c) of the FTP states that sales to a SEZ unit shall be included in the calculation of NFE by the EOU, provided payment for these sales are made in foreign currency. Further as per Section 16 of IGST Act 2017, supplies made to SEZ units for authorized operation would qualify as zero-rated supply, which can be made under the cover of LUT by the EOU.



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Queries received in May 2024

S No.	Querist	Category	Query from Member	Response by Grant Thornton
1.	Hema Raakoneru Brookfield Properties	SEZ benefits	According to the West Bengal SEZ Policy, SEZ Developers are entitled to a 100% waiver on electricity duty. However, with the introduction of Rule 11B in the SEZ Rules, there may be implications from the Electrical authority – WBSEDCL for Developers who plan to demarcate a partial area for Non-Processing Area (NPA) in accordance with Rule 11B.	Yes, tax exemptions to developer/co-developer will not be available proportionate to space demarcated as non-processing area as per newly inserted rule 11B to SEZ Rules.
2.	Hema Raakoneru Brookfield Properties	SEZ benefits	In furtherance to above query, if the developer chooses to go with NPA, what steps should be taken moving forward.	While procedure is defined in Rule 11B itself, however this being a task involving lots of groundwork, smart representation before various authorities is a specialized service that we can offer under separate commercial arrangement.
3.	Samir Gokhale LTIMindtree Limited	Others	Please elaborate about IT and ITES services. Also, please specify which types of services fall under IT and which ones fall under ITES.	<p>There is no specific provision or rule which provides for definition of Information Technology (IT)/ Information Technology Enabled Services (ITES) under FTP/SEZ law.</p> <p>However, in general parlance, IT refers to the use of computers, software, networks, and other technologies to manage and process information. IT services involve various technologies and applications that support businesses, organizations, and individuals in their operations. Services under IT may include Software Development, Network Management, Cybersecurity, Infrastructure Management, Database Management, IT Consulting, Cloud Computing etc.</p> <p>While ITES refers to services that utilize information technology to support and enhance various business processes. ITES services are often outsourced to specialized companies and include services such as Business Process Outsourcing (BPO), Knowledge Process Outsourcing (KPO), Customer Support, Technical Support, HR Services, Back Office Operations, Content Management etc.</p> <p>In summary, IT services are primarily focused on the development and management of technological systems and applications, while ITES services use technology to enhance and support various business processes.</p>

S No.	Querist	Category	Query from Member	Response by Grant Thornton
4.	Namdeo Shelke Schmalz India Pvt Ltd	Import of Goods/Services	In furtherance to query dated 28 April 2024, regarding the amendment of BOE for previously imported free-of-cost moulds from Germany, which are now to be billed to the party, we wish to note that some of these moulds date back to 2003 and 2004. Is it possible to amend the BOE in such cases. Additionally, what will be the value in amended BOE.	As per the procedure outlined in Chapter 3 (point 35) of Customs manual regarding the amendment of Bill of Entry (BOE), there is no time limit specified for modifying a BOE. The duty shall be payable as per current rate on the original invoice value. An alternate option in such scenario is that the unit may proceed to make payments to the German party based on the existing BOE. This must be accompanied by a declaration from the SEZ unit and the seller specifying the payment arrangement and agreement, along with a certificate from a chartered accountant confirming the current value of the goods. (Refer - RBI's Master Circular No. 7/2011-12 dated 1st July 2011).
5.	Abdur Rahman Musba Cardolite Specialty Chemicals India LLP	SEZ benefits	Our SEZ unit imported goods that do not meet specifications and is selling them to a DTA unit under Rule 25 of the SEZ rules. If the goods were directly imported by the DTA unit, they would qualify for Nil Customs Duty under the Free Trade Agreement (FTA). Can the sale from SEZ to DTA still benefit from the FTA if the necessary documents are provided at the time of clearance from SEZ to DTA.	As per Rule 47 of the SEZ Rules 2006, SEZ units can clear goods into DTA by paying the relevant duty determined at the time of clearance. Additionally, please note that FTAs are considered while evaluating import/export permissions across different countries. However, when clearing goods from SEZ to DTA, FTAs are not applicable. Instead, the unit would be required to refer to the Customs Tariff Act 1975 for computation of custom duty at the time of clearance.
6.	Rajalingam L&T Ltd- L&T Hydrocarbon	Zero-rated supply	Are the services for canteen maintenance, rework, and gardening upkeep eligible or covered under the authorized service operations for an SEZ unit for tax exemption utilization.	Both services are not forming part of default list of services. Accordingly, no tax exemption available to the SEZ unit.
7.	Abhilash Zyware Technologies	Others	Whether interest equalisation scheme for promoting exports (MSME) is applicable to software exporters.	As per the RBI Circular no. RBI/2023-24/124 DOR.STR.REC.78/04.02.001/2023-24 dated 22 February 2024, the rate of interest equalization shall be 2% for Manufacturers and Merchant Exporters exporting under specified 410 HS lines and 3% to the MSME manufacturers exporting under any HS line. Accordingly, the scheme does not extend to service industry per se.

S No.	Querist	Category	Query from Member	Response by Grant Thornton
8.	Sridhar Divis Labs Ltd- SEZ Unit	Job-work	Please confirm whether SEZ unit can take up works contract(material + service) for EOU unit. If yes, please let us have rules / provisions.	Kindly refer to Rule 43 of SEZ Rules 2006, wherein SEZ units can undertake sub-contracting for an EOU unit.
9.	Sridhar Divis Labs Ltd- SEZ Unit	Job-work	In furtherance to above query, whether the SEZ unit can give service to EOU unit along with goods. Please specify the procedure.	SEZ units may undertake sub-contracting on behalf of EOU. As per Rule 43 of the SEZ Rules, 2006, a SEZ unit is permissible to undertake job work from a DTA unit for export on the basis of annual permission. Such sub-contracting is permissible for the SEZ unit subject to the condition that the DTA exporter should supply all raw material including semi-finished goods and consumables including fuel etc and the finished goods are exported directly by the SEZ unit on behalf of the DTA exporter from the SEZ (except in case where the DTA unit is EOU/EHTP/STP/BTP unit wherein the export can take place from SEZ or the DTA unit). Export documents such as shipping bill and tax invoice in these cases are required to be filed jointly in the name of DTA exporter and SEZ unit in the SEZ. However, such exports are not counted for the discharge of export obligation including NFE of the SEZ unit.
10.	Girish Kulkarni SMC Medical Manufacturing Pvt. Ltd.	GST Refund	Can you verify if our EOU's GST refund claims should be filed under Rule 8 (4B) instead of Rule 89 (4) of the CGST Act 2017, as per Customs Notification 78/2017, and confirm if other EOUs importing raw materials duty-free under Annexure III are following the same approach	Rule 89(4B) of the CGST Rules, 2017 specifies that if a unit is claiming exemption under Notification No. 78/2017 - Customs dated October 13, 2017, then the refund must be claimed according to this specific sub-rule. Consequently, the department's contention in this regard appears to be valid.
11.	Girish Kulkarni SMC Medical Manufacturing Pvt. Ltd.	GST Refund	In furtherance to above query, Rule 89 (4B) lacks a defined formula and in the absence of a formula in Rule 89 (4B), we maintain that the formula should align with that prescribed in Rule 89 (4). However, the GST department is considering adopting an input-output formula, citing a recent court judgment which we believe may not apply uniformly. Please guide.	Rule 89(4B) of CGST Rules, 2017 specifies the refund process for cases where an EOU avails exemption under the notification mentioned in the rule. Further, the said rule provides the formula of one to one correlation of imported goods with the exports made during the relevant period. Accordingly, formula outlined in Rule 89(4) cannot be used for determining refund amount in above-mentioned scenario.
12.	Shalini Jain The Revelations	Registration	We are a new startup. How can we register under EPCES as an exporter. We are into candle manufacturing & other related stuff.	You may apply for Registration-cum-Membership Certificate (RCMC) which is a membership certificate issued by EPCES at DGFT portal by using the below link: https://www.dgft.gov.in/CP/

S No.	Querist	Category	Query from Member	Response by Grant Thornton
13.	Bestin Babu Value Mentor	Compliances	Is it possible to delete the filed invoices in SOFTEX.	The invoices once filed in SOFTEX form cannot be deleted. The unit needs to cancel the said SOFTEX Form using cancellation of SOFTEX form feature available at SEZ online portal under SOFTEX functionality only.
14.	P Ganesan Larsen & Toubro Limited	Export of Goods/Services	<p>Our DTA unit receives export orders from clients. The customer provides Free Issue Materials (FIM), which the DTA unit uses for manufacturing and supplies them to our SEZ unit for Final Assembly and Testing. Once completed, our SEZ unit prepares the final goods for export, and the DTA unit exports them from our SEZ unit. In this background, please clarify on below points:</p> <ol style="list-style-type: none"> 1. Can our SEZ unit import Free Issue Materials (FIM) duty-free on behalf of our DTA unit. 2. Is there any tax applicability on components supplied by the DTA unit to our SEZ unit, considering they are FIM. 3. What are the tax implications for the SEZ unit invoicing the DTA unit for value addition regarding Assembly and Testing such as GST payable only on the value addition or on the entire amount including FIM, is customs duty applicable on the value addition of the SEZ unit and whether an SEZ unit conduct this under merchanting by paying 0.1% IGST. 4. Can the DTA unit file the Shipping bill with the SEZ and clear the goods directly without payment of duties and taxes. 	<p>We acknowledge the unit's inquiry regarding subcontracting arrangements, where the SEZ unit conducts job work on behalf of a DTA unit. Please note that, according to Rule 43 of the SEZ Rules, 2006, a SEZ unit is permitted to engage in job work for export purposes on an annual permission basis from a DTA unit. This subcontracting is permissible under the condition that the DTA exporter supplies all raw materials, including semi-finished goods and consumables like fuel, and the finished goods are directly exported by the SEZ unit on behalf of the DTA exporter from the SEZ.</p> <p>Further, export documentation such as the shipping bill and export invoice must be jointly filed in the name of the DTA exporter and the SEZ unit. However, these exports do not count towards fulfilling the export obligation, including NFE, of the SEZ unit.</p> <p>The DTA unit supplying inputs to the SEZ unit is done under cover of delivery challan. Subsequently, the SEZ unit issues a service invoice only for the job work performed for the DTA unit.</p>
15.	Sanjeev Infosys Limited	DTA Supplies	We seek clarification on whether Notification no. 56/2023 dated 1 January 2024, applies to donations made under Rule 49(4)(c) of SEZ Rules 2006, specifically regarding desktops that are older than 5 years from the manufacturing date.	As per the provisions of Notification 56/2023 - FTP read with rule 49(4)(c) is enabling provision and has to be complied with in a strict sense. Therefore conditions mentioned in the provisions are required to be satisfied for donating IT assets to avoid any non-compliance.
16.	Sreemagal.R Zoho Corporation Private Limited	Zero-rated supply	We have been obtaining payment aggregator services from a supplier (similar to Razorpay) with HSN- 997158. This service is not explicitly listed among the approved 67 services. Could you please clarify whether a SEZ unit can procure this service with GST at 0%. If possible, kindly confirm under which category from the list of 67 services this can be classified.	We understand that the unit is procuring financial support service from the vendor. The service appears to be procured for authorized operations which may fall under entry no. 6 "Banking and other financial services" or entry no. 64 "Business Support service" under uniform list. You may approach the jurisdictional AO for precise categorization of said service under uniform list.

S No.	Querist	Category	Query from Member	Response by Grant Thornton
17.	Vikas Vadivel Group	Export of Goods/Services	What is ECGC. Please guide on the procedure to get ECGC insurance for my container to be exported.	<p>Export Credit Guarantee Corporation (ECGC) is a central government undertaking body, focused on boosting exports by offering credit risk insurance and related services to exporters. Over time, ECGC has created various insurance products tailored to the needs of Indian exporters. It functions as an export promotion body, aiming to enhance the competitiveness of Indian exports by providing credit insurance coverage.</p> <p>ECGC administers the National Export Insurance Account (NEIA) Trust, supporting significant project exports. It also offers a variety of export credit insurance schemes to help banks provide exporters with timely and adequate credit facilities. ECGC maintains optimal premium rates and provides three main services:</p> <ol style="list-style-type: none"> 1. Insurance for Indian exporters against non-payment due to commercial or political risks. 2. Credit insurance for banks and financial institutions to extend credit facilities to exporters. 3. Export factoring for MSME sector, which includes working capital financing, credit risk protection, and managing export receivables from international buyers. <p>Further, you may visit the ECGC website by using the below link to procure the relevant insurance product. https://main.ecgc.in/english/product-and-services/</p>
18.	Payal Dhamane Portescap India Pvt. Ltd.	DTA Supplies	Is duty applicable on disposal of non-recyclable plastic scrap which is mandated by government as we are paying disposal charges for the same. In case it is not applicable, please let us know the process of such removal without duty.	SEZ law does not specify a particular procedure for handling non-recyclable waste. However, according to Rule 39 of the SEZ Rules 2006, SEZ units are permitted to dispose of manufactured goods/ rejects/ waste/ scrap within the SEZ without paying applicable duties. This process should be carried out after notifying the Specified Officer of the unit in advance and obtaining any necessary environmental clearances.

S No.	Querist	Category	Query from Member	Response by Grant Thornton
19.	Sajimon David Zerone Consulting	Zero-rated supply	Whether the membership subscription fee paid to Nasscom qualifies as authorized services and is eligible for GST exemption.	Membership service fees paid to Nasscom are considered to be for authorized operations and may be categorized under entry no. 67 - "Management and business consultant services" in the default list of services.
20.	Venkatesh ZF Wind Power Coimbatore Private Ltd	Others	<p>One of our customers located in USA has requested us to issue an invoice in Indian Rupees and deliver the goods to USA. Also, the purchase order will be issued in Indian Rupees. We have the following queries:</p> <ol style="list-style-type: none"> 1. Is it permissible under FTP to conduct physical export transactions to the USA and invoice in INR. 2. Does this transaction to USA in INR qualify for NFE computation under the SEZ Act/Rules. 3. Are physical exports invoiced in INR eligible for claiming incentives under the RoDTEP scheme. 	<p>Please find below pointwise reply to your queries:</p> <ol style="list-style-type: none"> 1. Please note that RBI has allowed invoicing and payments for international trade in INR vide A.P. (DIR Series) Circular No. 10 RBI/2022-2023/90 dated 11 July 2022 read with Para 2.52(d)(ii) of FTP 2023. Further, the framework put in place by RBI for settlement of trade transactions in INR shall take place through the Special Rupee Vostro Accounts opened by AD banks in India for any partner country seeking to undertake trade with India in INR in terms of said circular. Accordingly, the unit needs to see if the partnering country falls under the list of such countries. 2. As per Rule 53 of SEZ Rules, 2006, export to overseas customers in INR cannot be taken for NFE computation. 3. As per Para 2.53(ii) of FTP 2023, exports proceeds realized in INR as per the above-mentioned Para 2.52(d)(ii) of FTP are eligible to avail the export benefits/incentives.
21.	Vijay Zacharias Cloudium	Compliances	<p>We are facing a significant issue with our AD Bank (Kotak Bank) regarding SOFTEX reporting to the RBI. Despite providing all necessary documentation, the bank's backend team has processed several transactions inaccurately, resulting in incorrect matching of payments to invoices.</p> <p>As a result, most remittance balances are either unavailable or insufficient to offset against the original invoices. Our attempts to address this with the senior management at the AD Bank have been unsuccessful, and this issue has persisted for over two years.</p> <p>This has led to non-compliance with regulatory requirements, and we have started receiving automated notifications from RBI/EDPMS without any option to directly address the issue with them. We are dependent on the AD bank, which seems unable to resolve this.</p> <p>We would greatly appreciate any insights or examples of similar cases to help us navigate this situation with the AD Bank and the RBI.</p>	<p>It is mandatory for both the AD bank and the Company to maintain records of all remittances received or Foreign Inward Remittance Certificates (FIRCs) issued in connection with invoices. These remittances should be reconciled and knocked off against the invoices reported on the EDPMS portal. Any discrepancies found during this reconciliation process may result in non-compliance with FEMA guidelines. Additionally, we recommend that the Company may liaise with senior personnel at the AD bank to reconcile the past remittances and closure of any outstanding compliances on the EDPMS portal. In absence of this compliance, we do not see any alternative solution.</p>

S No.	Querist	Category	Query from Member	Response by Grant Thornton
22.	Sreemagal.R Zoho Corporation Private Limited	DTA Supplies	Please clarify if an import authorization is required for DTA units to transfer laptops from SEZ to DTA as a branch transfer, given the SEZ is engaged in IT/ITES, not laptop manufacturing. Additionally, we cannot select the SEZ port code in the DGFT portal for the port of import column. Can we transfer laptops from SEZ to DTA without import authorization.	Transferring of secondhand laptops between SEZ unit and DTA unit of the same legal entity, the DTA unit shall obtain import authorization for bringing secondhand laptops into DTA premises. The only exception to this requirement is provided under Notification No. 56/2023, read in conjunction with paragraph 2.31 of FTP 2023, which outlines specific conditions such as the number of years of use that must be met to qualify for the exemption. You may refer the same for further details. Further, regarding the issue faced on the DGFT portal related to the port code, we recommend raising a grievance on the DGFT portal. The relevant team should resolve the issue promptly.
23.	Sreemagal.R Zoho Corporation Private Limited	DTA Supplies	In furtherance to above query, please note that we are not moving within the same legal entity. We are moving to 3rd party which is one of our group company. Please guide us on the process.	If the DTA unit fails to meet the conditions outlined in Notification no. 56/2023, they are obligated to obtain import authorization, even in cases of transfer to a third party. Further, to initiate the process for obtaining the import authorization, please refer to the link provided below - https://www.indiafilings.com/learn/dgft-online-module-for-import-authorization/
24.	Kadhiravan K Godrej	Import of Goods/Services	Please guide, what are the QCOs that are released so far and its applicability to materials that are imported into SEZ and sold in DTA. Can you share references from where we can get the details.	To ensure the availability of quality products to consumers, Quality Control Orders (QCOs) are issued by various Ministries/Departments of the Government of India under the authority vested by section 16 of the Bureau of Indian Standards Act, 2016, mandating adherence to Indian Standards for products. Recent notifications specify that QCOs issued by the Ministries of Mines, Textiles, Steel, and DPIIT will not apply to imports made by SEZs and EOUs solely for export purposes. Consequently, the unit will need to obtain the relevant certificate at the time of imports, specifically for sales in DTA.
25.	Caterpillar Signs Pvt Ltd.	SEZ benefits	Do we require to obtain any approval from SEZ authority for installation of personal Weigh Bridge (weighing capacity 60 MT), for our own exclusive internal usage. We request you to please guide us with the suitable notification/circular in this regard.	If the weighbridge is part of approved list of goods for authorized operations, it should be allowed. Alternatively, you may get the same included to the authorized list through approval by the Zonal DC. There is no need for a separate circular or notification.

S No.	Querist	Category	Query from Member	Response by Grant Thornton
26.	Naveen Kainth	DTA Supplies	I would like to understand more about DTA sales (services). We are in the SIM card and Smart Card business, and our customer wants a software service in the DTA. Please guide: 1. Can we provide this service to them. If yes, what documents need to be submitted to customs. 2. Are there any specific rules or notifications regarding DTA (service) sales.	An SEZ unit may sell goods and services with the payment of Customs duties, according to Rule 47 of the SEZ Rules, 2006, in conjunction with Section 2(z) of the SEZ Act, 2005. These sales are subject to the terms and conditions outlined in Rule 47. Additionally, the revenue from the supply of services must be earned in foreign exchange.
27.	Chandru Ramachandran VMC Business Services	EPR	The E-Waste Management Rules 2022 apply only to manufacturers, producers, recyclers, refurbishers, and dismantlers, not to end-users, consumers, or importers. The FAQ also states that registration is required only for these categories. However, customs officials are insisting on EPR Authorization for importing any electrical or electronic equipment. We request clarification on this requirement.	Your understanding is correct. The E-Waste (Management) Rules, 2022 apply to manufacturers, producers, refurbishers, dismantlers, and recyclers involved in the manufacture, sale, transfer, purchase, refurbishing, dismantling, recycling, and processing of e-waste or electrical and electronic equipment listed in Schedule I. However, please note that certain importers are classified as "producers" under Rule 3(t) of the E-Waste (Management) Rules, 2022. You may refer to this rule for the categorization of imports eligible for EPR Authorization.
28.	Binta Joby Sance Laboratories Pvt. Ltd.	GST Law	We are involved in manufacturing of Antibiotic formulations. We are doing the licensing activities with Drug control department for our buyers and helps them in getting the required licenses for manufacturing the goods at our factory. We are reimbursing such costs from our clients through financial debit note. But while settling such debit notes our clients are deducting TDS. Is there any requirement of GST invoice in such cases.	According to Section 34(3) of the CGST Act, 2017, a registered person can issue a debit note for an undercharged tax invoice. However, for expense reimbursements, issuing a debit note is not permitted under GST regulations. Therefore, a GST invoice must be issued for such transactions. Further, please note that tax may be deducted at specified rates under Income Tax Act.
29.	Binta Joby Sance Laboratories Pvt. Ltd.	GST Law	In furtherance to above query, please suggest whether we need to charge GST on different licensing fees paid to the treasury and on other expenses include travelling, printing and stationary, postage and courier etc. Also, please suggest the SAC code for raising the tax invoice.	With reference to Section 7 read with Section 15 of the CGST Act, 2017, reimbursement of license fee along with other charges, appears to be a taxable supply and applicable GST should be charged. The appropriate SAC code could be 998599 (Other support services).

S No.	Querist	Category	Query from Member	Response by Grant Thornton
30.	Uma Rani Anne Aragen Life Sciences Limited	Others	Kindly let us know the procedure how to do self certification with regards to Trade Notice 39/2023-24 for Exports.	We understand that the trade notice talks clarifies that Indian exporters are now directed to use origin declaration wording under the DCTS scheme instead of the previous GSP wording. This implies that exporters need to ensure compliance with the specific requirements outlined under the DCTS for their products. The notice provides URLs where detailed information on the DCTS can be accessed. These resources are essential for exporters to understand the new policies, requirements, and procedures involved in availing tariff concessions under the DCTS.
31.	Uma Rani Anne Aragen Life Sciences Limited	Others	In furtherance to above query, please guide: 1. What is the format for issuing self certification. 2. What are compliance requirement to issue the same. 3. Which Tariff's are eligible. 4. How to process the above certification	With reference to your query related to self certification format, you may visit the given URL which includes the certain formats basis the product specification - https://www.gov.uk/guidance/using-a-suppliers-declaration-to-support-a-proof-of-origin
32.	Vaibhav Parmar Navgrahaa Gems Pvt Ltd	Compliances	Please share a checklist for compliance to be done by SEZ unit on monthly / quarterly/ yearly basis.	Please find below the list of regular compliances along with their due dates: 1. Monthly Progress Report (MPR) - 5th of the following month 2. Service Exports Report Form (SERF) - 10th of the following month 3. Softex (For software exports) - Within 30 days from the invoice date / date of last invoice raised in a month 4. Half Yearly Performance Report (For Developers and Co-developers) - Within 30 days from the end of the Half Year 5. Annual Performance Report (APR) - Yearly within 180 days from the end of the financial year duly certified by CA 6. Registered Lease Deed Submission - Within 6 months from the date of LOA 7. Import Export Code Updation - Yearly updation prior to 30th June, even if no change.
33.	Gilson.S.G.	Import of Goods/Services	The new DGFT notification no. 71/2023 have caused significant confusion and uncertainty in our organization. We need clear explanations and detailed procedures to understand and comply with the guidelines. Additionally, the policy change has led to unforeseen financial implications due to disruptions in scrap sales.	We understand it pertains to Notification No. 71/2023. Accordingly, we would like to mention that DGFT has introduced provisions for exempting inputs imported by SEZs from mandatory QCOs, subject to certain conditions. Notably, mandatory QCOs issued by four ministries, as listed in Appendix 2Y, are exempt. Additionally, SEZs are exempt from mandatory QCOs issued under the BIS Act, 2016, for inputs required solely for export production.

S No.	Querist	Category	Query from Member	Response by Grant Thornton
34.	Praveen Purohiit BSL	Job-work	<p>We are in an SEZ area, and a domestic premium customer is ready to place a job work order, with goods to be shipped directly to a foreign party from the SEZ unit. As per Rule 43 of SEZ Rules 2006, sub-contracting to DTA unit for export is allowed. However, the customer needs to know the exact procedure, and we have not found any precedent in other SEZs.</p> <p>We request guidance on the following points:</p> <ol style="list-style-type: none"> 1. Specimen documents (if possible). 2. A short write-up on the steps involved in executing job work at SEZ for a DTA unit. 3. Who will be the exporter of record on the shipping bill: SEZ or DTA unit. 4. Whose IEC and AD code should appear on the shipping bill. 5. Should the currency on the shipping bill be USD or INR. 6. Should the SEZ unit receive payment in INR or USD for job work from the DTA unit, or will we raise a separate invoice in INR for job work. How does this affect shipping bill filed at SEZ customs. 7. Will the process change for LCL and FCL movements from the SEZ. 8. What is the process for supplying raw materials to SEZ unit for job work: on a challan or through a tax invoice. 9. Can the DTA unit claim any export incentives like DBK or ROSCTL/RODTEP on the export product and raw materials supplied to the SEZ unit for job work. 	<p>Please find below pointwise reply to your queries:</p> <ol style="list-style-type: none"> 1. The transaction by the SEZ unit would be export of goods and therefore, export documents required for regular export would suffice i.e. export invoice and shipping bill. 2. As mentioned under Rule 43 of SEZ Rules, 2006, a SEZ unit may on the basis of annual permission from the Specified Officer, undertake sub-contracting for export on behalf of a DTA exporter subject to the condition that all the raw materials including semi-finished goods and consumables including fuel shall be supplied by DTA exporter. Further process is answered in below replies. 3. Export documents shall be jointly in the name of the DTA exporter and the SEZ unit. 4. The IEC and AD code of both the DTA exporter and SEZ unit will be mentioned in the Shipping bill. 5. The currency on the shipping shall be USD. 6. The SEZ unit will raise a service invoice of job-work done to the DTA unit. The same shall be made in USD as per section 2(z)(iii) of SEZ Act 2005. 7. No. 8. Supply of goods from DTA to SEZ unit would be made under cover of delivery challan. 9. The DTA exporter shall be eligible for refund of duty paid on the inputs by way of brand rate of duty drawback as per rule 43(d) of SEZ Rule 2006.
35.	Praveen Purohiit BSL	Job-work	<p>In furtherance to above query, we need to know if approval through LOA is mandatory for subcontracting for a DTA under Rule 43 of the SEZ Rules 2006. Can customs authorities reject our subcontracting request for a DTA unit on this basis.</p>	<p>Any new activity undertaken by the unit must be approved and included in its Letter of Approval (LOA). Therefore, the authority will not permit subcontracting unless this activity is specifically included in the LOA.</p>
36.	S. KALYANI RD MEPZ SEZ	Export benefits	<p>Please clarify if Russia's export payment can be received in INR as my supplier is facing issue in USD payment recently.</p>	<p>As per Rule 45(2) of SEZ Rules, 2006, a unit may export to Russia and receive payment in Indian Rupees. The buyer can make the payment through the State Credit or Escrow Rupee Account, subject to approval from the Reserve Bank of India if required.</p>

S No.	Querist	Category	Query from Member	Response by Grant Thornton
37.	V.Suresh Pradeep Cargo Services Pvt Ltd.	DTA Supplies	<p>We are manufacturers and traders of stainless steel and aluminum cut pieces for aerospace components under SEZ., import inputs approved by AS/AMS (approved by Boeing and Airbus). We cut these inputs into pieces according to OEM standards and sell them to DTA units for further manufacturing, with the final export product being executed by DTA unit.</p> <p>With the new Notification No. 71/2023 issued by DGFT imposing certain conditions, we need clarification on whether we are allowed to sell manufactured goods, scrap generated during the manufacturing process, and waste pieces without getting registration for QCO for SEZ (Ministry of Steel and Ministry of Mines).</p>	<p>DGFT has introduced provisions for granting exemption from mandatory QCOs for inputs imported by SEZs, subject to certain conditions. It is important to highlight that the mandatory QCOs which have been issued by 4 ministries as mentioned in Appendix 2Y are exempt. Further, exemption from applicability of mandatory QCOs issued under the BIS Act, 2016, shall be provided to SEZ on import of inputs which are required for export production only. Accordingly, exemption on import of goods which are supplied to DTA unit is not available.</p>
38.	P Ganesan L&T - Modular Fabrication Facility	Import of Goods/Services	<p>Please clarify:</p> <ol style="list-style-type: none"> 1. Is import duty/ anti-dumping duty applicable on steel used in fabrication of Topside / Jacket delivered from various Country of origins (India/ Korea/ Japan etc) OR it will be applicable on fabricated structure (Topside/ Jacket) with country of origin – India as it will be fabricated by L&T in India. 2. What % of anti-dumping duty/ Import duty applicable in USA on fabricated structure (Jacket/ Topside) delivered from India 3. What % of anti-dumping duty/ Import duty applicable in USA for steel used in fabrication of Topside / Jacket delivered from India/ Korea/ Japan ? 	<p>Please find below reply to your queries:</p> <ol style="list-style-type: none"> 1. As per sub-section 2A of section 9A of Customs Tariff Act, 1975, Anti-dumping duty shall not apply to articles imported by a 100% EOU or an SEZ unit, unless,- <ul style="list-style-type: none"> (i) it is specifically made applicable in such notification or to such undertaking or unit; or (ii) such article is either cleared as such into the DTA or used in the manufacture of any goods that are cleared into the DTA, in which case, anti-dumping duty shall be imposed on that portion of the article so cleared or used, as was applicable when it was imported into India. 2 & 3. For accessing the applicability of Anti-Dumping Duty on exports to USA, you may refer the given link: https://legacy.trade.gov/enforcement/operations/scope/index.asp
39.	Suhas Patil HCL Technologies Limited	Compliances	<p>Please let me know while filing SOFTEX utility there are two options:</p> <ol style="list-style-type: none"> 1. SOFTEX Contract (Gist of contract) Request I'd 2. Internal project code/Date <p>It is mandatory to file Gist of contract online or Internal project code / date is sufficient to upload SOFTEX.</p>	<p>The unit is required to submit a Gist of contract once for a particular project, post which the contract details would automatically be mapped for each SOFTEX.</p>

S No.	Querist	Category	Query from Member	Response by Grant Thornton
40.	Selvakumar R. Workplace Fabric India Private Limited	Job-work	<p>We need your suggestions for the following cases:</p> <ol style="list-style-type: none"> 1. Can an SEZ unit give job work (export project) to a DTA vendor. 2. Can an SEZ unit perform job work for a DTA customer. 3. Can we return some defective imported goods to overseas seller. If yes, what is procedure. 4. Is an SEZ unit allowed to import refurbished items for further export. 	<p>Please find below pointwise response to your queries:</p> <ol style="list-style-type: none"> 1. As per Rule 41 & 42 of SEZ Rules 2006, the SEZ units are allowed to subcontract a part of their production or any production process to DTA unit. 2. As per Rule 43 of the SEZ Rules, 2006, a SEZ unit is permissible to undertake job work from a DTA unit for export on the basis of annual permission. 3. As per Rule 27 (9) SEZ Rule 2006, if the goods imported are found to be defective, unfit for use, or damaged, then it may be sent outside the SEZ without payment of duty, for repair or replacement. You may refer the said rule for procedure. 4. We understand that there is no separate provision in relation to import of refurbished goods. Accordingly, you may refer the general import policy under Rule 27 of SEZ Rules in this respect.
41.	Selvakumar R. Workplace Fabric India Private Limited	Job-work	<p>In furtherance to above query, please also:</p> <ol style="list-style-type: none"> 1. We have a branch office in Mumbai (Non-SEZ). Are we (SEZ Unit) permitted to undertake job work from our Mumbai branch (not for export). If yes, what are the procedures, duties, and taxes involved. 2. Can we send material to an overseas vendor (outside the country) for job work. If yes, is it mandatory for the SEZ unit to get the material back within a specific number of days, or do we also have the option to deliver it directly to the client's location (outside India). 3. What is the general timeline for getting back the material from the job work vendor after the completion of the work. 	<p>Subcontracting provisions are outlined in Rule 41 to 43 of SEZ Rules, 2006. Basis the same, please find below pointwise reply to your queries.</p> <ol style="list-style-type: none"> 1. No, the SEZ unit cannot undertake job-work from any other premises. 2. Yes, the Development Commissioner may permit subcontracting of part of the production process abroad. In such cases, the goods can be exported directly from the subcontractor's premises abroad, subject to the following conditions: <ul style="list-style-type: none"> (a) Subcontracting charges must be declared in the export declaration forms, invoices, and other related documents. (b) The export proceeds must be fully repatriated in favor of the SEZ unit. (c) The goods can either be returned to the SEZ unit or sold directly to buyers in the subcontractor's country or any third country. 3. Goods need to be brought back within 120 days along with waste and remnants.
42.	Gedala Venkata Satish Laurus Bio Pvt. Ltd.	SEZ benefits	<p>Please guide whether Star export house holders are exempted for providing bank guarantee against B-17 Bond.</p>	<p>As per Para 1.29(c) of FTP, 2023, a status holder is exempt for furnishing bank guarantee for any scheme under FTP.</p>

S No.	Querist	Category	Query from Member	Response by Grant Thornton
43.	Ram Kumar Jha Carewell Flyjet IFSC Pvt Ltd	DT	<p>We are getting the below message from Income Tax authorities: "Dear Reporting Entity, GET SFT READY. The due date for filing SFT in Form 61A for the Financial Year 2023-24 is 31/05/2024. Kindly make the necessary compliance. Pl ignore if already filed. -Income Tax Department "</p> <p>Please guide on applicability of SFT.</p>	<p>As per the provision of section 285BA of the Income Tax Act, 1961 ("Act") read with Rule 114E of the Income Tax Rules, 1962 an assessee being a "company" shall be required to file Form 61A (Statement of Financial Transactions) for reporting specified financial transactions carried out during FY 2023-24. Following table summarizes various specified financial transactions, which may be applicable to a company, which would require mandatory reporting in Form 61A:</p> <ol style="list-style-type: none"> 1. A company or institution issuing bonds or debentures- Receipt from any person of an amount aggregating to ten lakh rupees or more in a financial year for acquiring bonds or debentures issued by the company or institution (other than the amount received on account of renewal of the bond or debenture issued by that company). 2. A company issuing shares- Receipt from any person of an amount aggregating to INR 10 lakh or more in a financial year for acquiring shares (including share application money) issued by the company. 3. A company liable for audit under section 44AB of the Act- Receipt of cash payment exceeding INR 2 lakhs for sale, by any person, of goods or services of any nature. 4. A Company paying dividend- Details of the dividend(s) paid to the shareholder(s)



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Queries received in June 2024

S No.	Querist	Category	Query from Member	Response by Grant Thornton
1.	Supriya P Regional Director, EPCES CSEZ - Cochin Region	Others	Any assistance on EUDR, DDS documents (Due Diligence Statement) by any government agencies.	In our limited knowledge on the subject, we understand that the European Union Deforestation Regulation (EUDR) aims to minimize the EU's contribution to global deforestation and forest degradation by regulating the availability and export of certain commodities and products linked to these issues. Effective from 29 June 2023, with main prohibitions starting on 30 December 2024, the EUDR mandates that relevant products (such as palm oil, soya, wood, cocoa, coffee, cattle, and rubber) must be deforestation-free, legally produced, and accompanied by a Due Diligence Statement (DDS). The DDS requires EU operators and traders to provide traceable and verifiable information about the origin of these commodities, ensuring compliance with the regulation.
2.	Rangaswamy	Zone to Zone Transfer	We have imported duty-free raw materials as advised by our foreign customer. However, the project has been cancelled. Now, the customer is insisting that we sell the raw materials to a SEZ unit. Please advise if we can sell the duty-free raw materials from our EOU to SEZ unit without paying duty.	As per para 6.14 (a)(i) of FTP, 2023 read with Notification No. 52/2003, an EOU may transfer unutilized raw material to SEZ units under zero-rated benefit.
3.	Sahana G T J.P. Morgan services India Pvt Ltd	Import of Goods/Services	This is regarding the Notification No. 13/2024-25 dated 20 May 2024. We need clarification on point 3, policy condition no. 2 (chapter 84), and policy no. 5 (chapter 85) of the import policy. Is the STP unit exempt from the requirement of compulsory registration for importing electronics and information technology goods for production.	<p>The notification is issued to highlight the amendments in light of re-notification of "Electronics and Information Technology Goods (Requirement of Compulsory Registration) Order, 2012 as Electronics and Information Technology goods (Requirement of Compulsory Registration) order, 2021 under BIS Act 2016. According to Para 3 of said notification, the import of electronics and IT goods, whether new or second-hand, is prohibited unless they are registered with the BIS and comply with labeling requirements. Specific exemptions may be granted by the Ministry of Electronics and Information Technology (MeitY) for certain consignments. Goods not meeting these requirements will either need to be re-exported or will be deformed beyond use and disposed of as scrap by Customs Authorities, with notification to MeitY.</p> <p>Accordingly, the unit needs to check its eligibility basis the type of goods imported and the new Electronics and IT goods order, 2021.</p>

S No.	Querist	Category	Query from Member	Response by Grant Thornton
4.	Sahana G T J.P. Morgan services India Pvt Ltd	EPR	This is regarding EPR registration for battery waste management. Is EPR registration mandatory for bulk consumers (such as STP units). As an IT-ITES company, we import goods for captive consumption and not for resale. Please guide whether we fall under this condition and need to obtain EPR registration for battery waste.	Battery producers and manufacturers must obtain EPR via the CPCB's (Central Pollution Control Board) online centralized portal. STPI units importing battery-containing equipment for self-use are included in Annexure 1 of the CPCB's Standard Operating Procedure, making EPR registration compulsory. For further details, please refer to the link below. https://cpcb.nic.in/openpdf.php?id=UmVwb3J0RmlsZXMvMTUxMF8xNjc5MzkzMzc1X21lZGlhcGhvdG8yNDc1OC5wZGY=
5.	Rajiv Pandya Apex Fincore LLP	Others	While referring to "Section 11 of Chapter V – SPECIAL ECONOMIC ZONE DEVELOPMENT COMMITTEE" of Gujarat SEZ Act, 2004, we understand that Gujarat Shops and Establishment Act (as amended) is not applicable to those units which are, set-up and registered in SEZ demarcated area since area of the zone falls outside the purview of municipality limits. Please confirm whether the Gujarat Shops and Establishment Act applies to SEZ-registered units.	There seems to be no specific exemption for SEZs under the Shops & Establishment Act. Therefore, the unit would be required to obtain registration if it meets the conditions outlined in the Act.
6.	Naveen Kainth	Export of Goods/Services	We have regular merchant export shipments from Subco China to other countries, and as an NSEZ unit, we pay freight charges to a forwarder in India. The forwarder issues freight invoices with IGST at 18% based on the services provided abroad. Please confirm whether we can receive a zero-rated IGST invoice from the forwarder and if the NSEZ customs will endorse this on the invoice.	Procurement of forwarding agent service is appearing in the default list of services at entry no 11 "Clearing & forwarding agents services" and thus appears to be eligible to get zero rated benefit.
7.	Naveen Kainth	Export of Goods/Services	In furtherance to above query, please note that we are located in NSEZ and regularly handle merchant export shipments from Subco China to other countries, paying freight charges to a forwarder in India from our SEZ. The Indian forwarder issues freight invoices with IGST at 18% based on services provided in China. We would like to know if our unit is eligible for zero-rated benefit.	Since the service is procured by the SEZ unit from the Indian forwarder, it falls under the scope of Section 16 of the IGST Act, which pertains to supplies made to SEZ units. Consequently, the default list of services for authorized operations must be consulted to determine if the service is considered an authorized service. The procurement of forwarding agent services is included under entry no. 11 as "Clearing & forwarding agents services." Therefore, the service invoices received by SEZ units for forwarding agent services qualify for GST exemption.

S No.	Querist	Category	Query from Member	Response by Grant Thornton
8.	Ch.S.S.Sekhar R.D-EPCES-VSEZ	APR/MPR	As per notification dated 21st November 2016 (G.S.R. 1094(E)), SEZs can submit the APR within 180 days. This notification was issued under the powers conferred by section 55 of the SEZ Act, 2005, and further amends the SEZ Rules, 2006. Is there a similar notification that allows EOUs to file their APR within 180 days.	According to Appendix-6E (Form of Legal Agreement for EOU/EHTP/STP/BTP) point no. 6, EOUs must file their Annual Performance Report (APR) within 90 days following the end of the financial year. For your convenience, the relevant section is provided below for quick reference. 6. The Unit shall after the commencement of production/operation, submit to the concerned Development Commissioner, quarterly performance report in the prescribed format at ANNEXURE-III for the period ending March/June/September and December every year within 30 days of the close of quarter through e-mail giving details of the imports/exports effected and purchases made from the Domestic Tariff Area by the Unit during the period. An annual performance report shall also be submitted in the prescribed format given at ANNEXURE-IV within a period of 90 days following the close of financial year failing which further imports and DTA sale will not be permitted. Annual Performance Reports shall be certified by a Chartered Accountant/Cost Accountant. In case of wrong submission of such information or failure to submit such information within the stipulated time, DC may withdraw the permission granted to the unit for operation. They shall also submit a copy of QPR/APR to Jurisdictional AC/DC of Customs/GST.
9.	Sheriff NCR Atleos Corporation	Others	We manufacture and export Automated Bank Note Dispensers (CDs), ATMs, Self-Serve Checkouts (SSCO), and their parts to numerous countries. To meet global customer demands for "LIVE CURRENCY TESTS" on ATMs before export, we plan to import foreign currency notes and coins valued between \$500 and \$2000 for testing purposes. We seek advice on the procedure for importing foreign currency into India.	We understand that the unit intends to use foreign exchange for testing purposes. In this context, please note that the unit can obtain foreign currency from any passenger permitted to bring any amount of foreign currency into India without limit. However, a Currency Declaration Form (CDF) must be completed if the total value of foreign currency notes exceeds US \$5,000 or its equivalent. Alternatively, you may obtain the foreign exchange from any authorized forex exchanger and use it for testing purposes.
10.	G.Venkataraman Deco De Trend	Others	Is an EOU exempt from making MSME supplier payments within 45 days. If payment is made after 45 days, will it be disallowed in current FY expenses.	The requirement to make payments to MSMEs within 45 days is specified in Section 15 of the MSME Development Act, 2006. The Act does not provide any separate exemption for EOUs. Additionally, as per Section 43B(h) of the Income Tax Act, deductions for payments made to MSMEs are only permitted when the payment is actually made.

S No.	Querist	Category	Query from Member	Response by Grant Thornton
11.	M/s. Tuf metallurgical Pvt. Ltd	Import of Goods/Services	We are proposing to procure/import chrome concentrate from Afghanistan/Pakistan/Oman. Please clarify on duty Implication for SEZ unit.	In accordance with Section 26 and Rule 27 of SEZ law, duty exemptions apply regardless of the country of import, to carry on the authorised operations of the unit. However, to obtain the duty implications for a specific product from a particular country, you should refer to Schedule 1 under "Import Policy - ITC(HS), 2022" available on the DGFT online portal. The same is enclosed for your ready reference from where you may check if your product is categorized as permissible or restricted for import. Additionally, according to ICEGATE, there appear to be no restrictions on importing the product from Pakistan, Afghanistan, or Oman.
12.	Suhas Patil HCL Technologies Limited	DTA Procurement	We have a unit in SEZ Mumbai and have decided to set up a data center in this SEZ unit, which will also be used by our DTA units in Pune. It is permitted by the Development Commissioner to share the data center from an SEZ unit to DTA units in other cities. Please clarify under which rule does this fall and what must the DTA unit and SEZ unit comply with.	<p>As per Rule 27(5) of SEZ Rules 2006, an SEZ unit may import or procure from DTA, all types of goods and services, without payment of duty, taxes of cess for creating a central facility for use by Units in SEZ and where such facility is created for software development, the same may also be accessed by software exporters of DTA. This rule permits sharing of infrastructure facilities subject to conditions.</p> <p>Further, as per Rule 15 of SEZ Rules, 2006, it is advisable to inform the Approval Committee about sharing of common infrastructure facilities between SEZ and DTA units, as part of SEZ operations. Additionally, the Approval Committee supervises SEZ units and might ask for reports on SEZ's operations, including use of shared facilities. To be compliant, it is suggested to keep the Committee updated on the use of shared facilities.</p>
13.	Dhruti Shah Kaytes Consulting	APR/MPR	Kindly guide us on the reporting requirements with regards to "Investments made" in MPR by an Alternative Investment Fund set up in GIFT SEZ.	Investments made by units (both FDI and Non-FDI) within the zone must be reported under the investment details of the MPR. Accordingly, it is advised that the unit may assess the nature of Alternate Investment Funds and report them under the appropriate category.
14.	R Raja Krishnan Akshayam Corporate Advisors Private Limited	Others	Whether fees paid to IFSCA qualifies for GST exemption.	We understand that the unit is an IFSC unit intending to pay applicable fees to the IFSC Authority. Since these fees are used for authorized operations, the benefit of zero-rating may be availed for this service under entry no. 67 - "Management and business consultant services" of the default list of services.

S No.	Querist	Category	Query from Member	Response by Grant Thornton
15.	Satish Gedala Venkata Satish	APR/MPR	Could you please share the format of filing APR.	The format of APR for EOUs has been prescribed in the LUT at Appendix-6E to HBP, 2023 as Annexure IV. The same was enclosed.
16.	Rahul Kalburgi Aeques SEZ, Belgaum	Import of Goods/Services	Refer to notification no. 71/2023, granting SEZ unit exemption from the applicability of QCO issued under the BIS Act on import of inputs, subject to Para 2.03(c) of FTP. We are a manufacturing SEZ unit importing steel and other inputs for manufacturing export products and selling to EOUs. The scrap generated from manufacturing is sold in DTA. We currently do not have BIS licenses due to this exemption. We seek your advice on the following points: 1. Can Customs authorities stop scrap sales in DTA, if so, does it mean SEZ units must obtain QCO (BIS licenses) for the import material. The notification states that SEZ units are exempt from mandatory QCOs provided no DTA clearance of such inputs or goods manufactured from them is allowed. Since we are selling scrap, not imported inputs or finished goods, we believe this restriction should not apply. 2. Can Customs authorities stop FG sales to EOU units.	BIS exemption is allowed only to physical exports and not to deemed exports. In case the unit is importing goods for any supply other than physical export is liable to obtain BIS certification on imports.
17.	Rahul Kalburgi Aeques SEZ, Belgaum	GST Law	We have an EOU unit where we have purchased goods for use in our manufacturing activity under two scenarios: 1. The supplier agreed to claim the deemed export refund of GST shown on their invoice. 2. The supplier did not agree to claim the deemed export refund, so the purchasing EOU unit will claim the deemed export refund. We have identified quality issues with the purchased materials and would like to return the defective items (Purchase Return). We need to know whether GST should be applicable and charged on the Purchase Return document (Debit Note) to be raised by us in both scenarios. Additionally, please advise if raising a debit note is correct or if we need to raise another type of document.	The recipient may issue a financial debit note/ purchase return document to the supplier which would be without GST. As per Section 34 of CGST Act, 2017, only the supplier can issue credit note for sales return. Further, in case GST was charged on the original invoice, the same would be charged on the credit note issued by the supplier.

S No.	Querist	Category	Query from Member	Response by Grant Thornton
18.	Rahul Kalburgi Aequs SEZ, Belgaum	Job-work	<p>We have a manufacturing SEZ unit and have received an order from an overseas customer for manufacturing services. The customer will supply raw materials on a Free of Cost (FOC) basis. We will import these materials, convert them into finished products, and export the finished goods. The import Bill of Entry for the raw materials will be filed under FOC mode. After converting the raw materials, we will raise a service invoice for the job work/manufacturing services and ship the goods by filing a Shipping Bill. We have the following queries:</p> <ol style="list-style-type: none"> 1. Can an SEZ unit undertake this activity. Are there any restrictions under SEZ law. 2. Does this activity require prior approval from the SEZ department. 3. Will GST apply to the service invoice raised for the overseas customer, and will this qualify as an export of services. 4. Will the import of raw materials on an FOC basis be considered for NFE computation. 5. Are there any other implications under Customs and FEMA law. 	<p>Please find pointwise reply to your queries as below:</p> <ol style="list-style-type: none"> 1. As per Rule 18(6) of SEZ Rules, the SEZ unit may undertake manufacturing services for overseas entity. 2. Any new activity undertaken by the unit must be approved and included in its Letter of Approval (LOA). So please ensure the LOA is updated with specific activity before undertaking such activity. 3. The export of services by SEZ unit is permitted without payment of taxes under cover of LUT, upon fulfilment of conditions outlined in Section 2(6) of the IGST Act, 2017. 4. As per Rule 53(B)(c) of SEZ Rules, 2006, the CIF value of goods/services received free of cost would be included in calculation of NFE.
19.	Rahul Kalburgi Aequs SEZ, Belgaum	Job-work	<p>In furtherance to above query, Kindly clarify on below mentioned point: “The export of services by SEZ unit is permitted without payment of taxes under cover of LUT, upon fulfilment of conditions outlined in Section 2(6) of the IGST Act, 2017” – Here we would like to know whether our transaction qualifies as Export of services and whether GST will be payable on our invoicing to overseas customer for manufacturing services provided in respect of Raw materials supplied by overseas customer.</p>	<p>As per the definition of export of services under Section 2(6), five conditions must be met to qualify as an export of services:</p> <ol style="list-style-type: none"> (i) The location of the supplier must be in India. (ii) The location of the recipient must be outside India. (iii) The place of supply of the service must be outside India. (iv) Payment must be received in convertible foreign exchange. (v) The supplier and recipient of the service must not be merely establishments of the same person as defined in Explanation 1 of Section 8. <p>The first two conditions appear to be satisfied. The place of supply would be the location of the recipient of the service as per Section 13(2) of the IGST Act, 2017. Please ensure the remaining two conditions are met to fulfill all the criteria for export of services.</p> <p>Regarding the chargeability of GST, once the supply qualifies as an export, the unit may make a zero-rated supply of services based on a valid LUT as per Section 16 of the IGST Act, 2017.</p>

S No.	Querist	Category	Query from Member	Response by Grant Thornton
20.	Vishwanath G. Hublikar H. K. Designs	Import of Goods/Services	Referring to Notification No. 17/2024 dated 11 June 2024, which restricts the import of plain and studded gold jewelry, please confirm whether this restriction apply to 100% EOUs and SEZs.	The Notification no. 17/2024 is issued to implement relevant changes in import policies, specified in Schedule 1 of ITC (HS) which outlines the Import Policy regime for all goods. All importers are required to comply with this schedule, irrespective of the scheme in which it is operating. Accordingly, this notice would be applicable on EOUs and SEZs.
21.	Rahul Kalburgi Aequs SEZ, Belgaum	Import of Goods/Services	We, as an SEZ unit, plan to import Chrome Concentrate Ore (ITCHS Code No. 26100040/26100000) from Afghanistan, Pakistan, and Oman for manufacturing Low Carbon Ferro Chrome (LCFC – ITCHS Code No. 72024900). Currently, we import from China, but switching sources would reduce costs. As per Rule 27(1) of the SEZ Rules, 2006, and Section 26(1)(a) of the SEZ Act, 2005, goods imported for SEZ operations are exempt from customs duties. We seek confirmation that importing Chrome Concentrate Ore from these countries will be duty-free under SEZ status.	As per Section 26 and Rule 27 of SEZ law, duty exemptions apply regardless of the country of import, to carry on the authorised operations of the unit. However, to obtain the duty implications for a specific product from a particular country, you should refer to Schedule 1 under "Import Policy - ITC(HS), 2022" available on the DGFT online portal. The same is enclosed for your ready reference from where you may check if your product is categorized as permissible or restricted for import. Additionally, according to ICEGATE, there appear to be no restrictions on importing the product from Pakistan, Afghanistan, or Oman.
22.	Jayalakshmi Zen Linen International Pvt Ltd	Export benefits	Our company operates in MEPZ-SEZ and also has a DTA unit in Bhiwandi. We imported machinery for the Bhiwandi unit under the EPCG License Scheme and need to fulfill the export obligations. Due to insufficient export orders for Bhiwandi unit, we are unable to meet these obligations. We propose using the machinery for job work for our SEZ unit, which has sufficient export orders. The manufacturer would be DTA unit and exporter would be SEZ unit. We seek your advice on whether this job work can fulfill our export obligations and if deemed exports can be treated as third-party exports.	Para 5.04 of the FTP-2023, which outlines the conditions for fulfilling export obligations to qualify for EPCG authorization benefits, specifies that an EPCG Authorization holder can meet their export obligation by exporting goods directly or through third parties. Additionally, as per Rule 41 and 42 of the SEZ Rules 2006, SEZ units are permitted to subcontract part of their production or any production process to DTA units, and the SEZ unit must include the name of the DTA unit in all export documents. Based on these provisions, an SEZ unit may subcontract its operations to a DTA unit, and the DTA unit may count this subcontracted work towards its export obligation under the EPCG scheme.
23.	K's Jewellery & Co. Apurva Jhaveri	Import of Goods/Services	Notification No. 17/2024-25 restricts Plain & Studded Gold Jewellery imports. We seek clarity if this applies to 100% EOUs. Our EOU relies on importing jewellery for repair/remaking, allowed under customs exemptions (Annexure-VI Sr. No.10 & 11, customs notification no. 52/2003).	Notification no. 17/2024 is issued to implement relevant changes in import policies, specified in Schedule 1 of ITC (HS) which outlines the Import Policy regime for all goods. All importers are required to comply with this schedule, irrespective of the scheme in which it is operating. Accordingly, this notice would be applicable on EOUs.

S No.	Querist	Category	Query from Member	Response by Grant Thornton
24.	Vishnu M Nair BE FATHIMA ENTERPRISES	GST Refund	<p>We purchased machinery to boost production and applied for an ITC refund for exports without IGST payment. However, GST authorities did not consider ITC related to capital goods for this refund. As an EOU focused solely on exports, we believe we are entitled to ITC refund on capital goods. We seek guidance on:</p> <ol style="list-style-type: none"> 1. Eligibility of ITC on capital goods for refund under the export without IGST payment scheme. 2. Procedure to claim ITC refund on capital goods. 3. Specific forms or documentation needed to support our claim. 4. Precedents or successful case references for similar refunds. 	<p>Based on a conjoint reading of Section 2(59) of the CGST Act, 2017, and Rule 89 of the CGST Rules, 2017, the manner of claiming a refund for zero-rated supply of goods or services without payment of tax (i.e., refund of accumulated input tax credit) is computed as follows: $\text{Refund Amount} = (\text{Turnover of zero-rated supply of goods} + \text{Turnover of zero-rated supply of services}) \times \text{Net ITC} \div \text{Adjusted Total Turnover}$ Where 'Net ITC' refers to the input tax credit availed on inputs and input services during the relevant period. As per Section 2(59), 'Input' means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business. Accordingly, the formula clearly includes only 'input' and 'input services' for Net ITC, thereby implying that the refund of capital goods is specifically excluded.</p>
25.	S Manohar Naidu Inlogic Technologies	Export of Goods/Services	<p>We export software and receive Softex attestation from ADC, MEPZ manually. However, bankers refuse to accept physical Softex forms for setting off inward remittances and require eBRC numbers instead. The absence of eBRC numbers results in significant penalties imposed by bankers.</p>	<p>To reconcile the foreign inward remittance on the EDPMS portal, the bank may request a copy of the online filed Softex forms and the invoice copy. Additionally, the e-BRCs are generated on the DGFT portal once such payments are settled by the bank. Consequently, setting up Softex forms and issuing e-BRCs are two separate processes on two different platforms. Therefore, it is advisable for the Company to consult with senior bank personnel to discuss the issue and clarify the exact requirements. Separately we would want to understand if you are a manufacturer and also providing services. If you are only IT/ITes service providers, ideally STPI should be the governing body instead of DC-MEPZ.</p>
26.	Rajalingam L&T Ltd- L&T Hydrocarbon	Sub-contracting	<p>Every time we transfer subcontracted materials from our unit to the DTA unit vendor, customs officers request and query us to provide invoices for the value of the movable goods. In this regard, please clarify whether is it necessary for unit to submit invoices for subcontracted moved goods. Additionally, what types of documents are mandatory for movement to DTA unit during regular or daily movements of subcontract materials, after receiving Movement ID approval from the SO.</p>	<p>As per Rule 42 of SEZ Rules, 2006, a unit shall remove goods for subcontracting under pre-authenticated serial-numbered challans, ensuring that a complete description of the goods is provided on the challan.</p>

S No.	Querist	Category	Query from Member	Response by Grant Thornton
27.	Ajit S Parab	APR/MPR	<p>We require clarification on the following regarding the APR submission for our 100% EOU unit:</p> <ol style="list-style-type: none"> 1. How should we accurately calculate the imported goods value for APR reporting. Should this be derived from the Bill of Entry filed. 2. What is the basis for computing the consumption value that must be reported in the APR. 3. If the imported goods value is taken from the Bill of Entry, can we revise the previous year's APR filed for FY 2022-23. 	<p>As per Appendix-6F of HBP-2023, which outlines the guidelines for monitoring the performance of units, the value of imported raw materials consumed during the year, including consumables and spares, is considered when calculating the NFE achieved. You may refer to the Annexure mentioned in said Appendix for detailed computation formula. Accordingly, the imports computation mentioned under the said Annexure is to be followed and the bill of entry value would not be the basis for reporting imports under the APR for the current year.</p>
28.	Suresh	Import of Goods/Services	<p>We intend to replace our company's main gate and, consequently, demolish the existing stormwater drain on the service road to construct a stronger one that can accommodate heavy container vehicles smoothly. During this project, we will procure construction materials. Please advice on whether tax exemptions apply to these purchases and services. Please note that the existing stormwater drain was built by SIPCOT, and we have obtained approval to make necessary modifications.</p>	<p>As per the proviso to Rule 27 of the SEZ Rules, 2006, duty exemption is available for all goods and services required for setting up or maintaining an SEZ unit. The proviso states that exemptions from payment of duty, taxes, or cess are available for all types of goods and services necessary for the establishment and maintenance of the factory building for a unit. However, endorsement of invoices are subject to SEZ Officer approval, it is advisable for the SEZ unit to approach the jurisdictional Development Commissioner to seek approval for the procurement of such inputs and services without payment of duty before commencing any maintenance activities.</p>
29.	M G Radhakrishnan Unipower Transformers Pvt Ltd	Import of Goods/Services	<p>If you can confirm that whether Export Obligation Discharge Certificate (EODC) on imported capital goods are applicable to EOU units.</p>	<p>The EODC is not applicable to EOUs for imported capital goods. The EODC is issued to EPCG authorization holders upon submission of proof of export obligation fulfillment. Further, EOUs are exempted from duty on imported capital goods vide Notification No. 52/2003-Customs, dated 31 March 2003. Consequently, EOUs are not required to register under the EPCG scheme or fulfill any export obligation to avail of these exemptions.</p>
30.	Hema Chandra Rao Brookfield Properties	DTA Supplies	<p>The developer plans to dispose of Electrical & Electronic Waste/scrap once the applicable Custom duty & IGST have been paid under HSN code 85499900 as per relevant laws. Please guide.</p>	<p>The developer may remove the scrap to the DTA unit after paying the applicable duties on transaction. Further, in case the goods are IT assets specified in Notification 56/2023, then such removal is permissible subject to conditions specified in paragraph 2.31 of FTP, 2023.</p>

S No.	Querist	Category	Query from Member	Response by Grant Thornton
31.	Manish Jain Bafna Nishant Export	Others	We hold a 3-Star Export House Certificate and export various Spice & Spice Products globally, particularly to the USA and Europe. There's confusion about the Minimum Value addition requirement for EOUs. Previously, it was 15%, but Policy Circular No. 07/2023 dated 21 December 2023 states that now it is 25% as per Para 4.09 (v) of FTP 2023. We seek clarification on whether this circular applies to EOUs, as it seems directed at Advance Licence holders.	<p>Circular No. 07/2023 clarifies that the condition of Minimum Value Addition (MVA) for spices under Para 4.09 (v) of the FTP 2023 is only applicable when both the export and import items fall under Chapter 9 of the ITC HS Code. Furthermore, Para 4.09 is relevant only if the unit holds an Advance License.</p> <p>Additionally, it is clarified that Appendix-6B, which outlines Sector-Specific Requirements for EOUs, is applicable to EOUs. According to Para 10(ii) of the said Appendix, an MVA of 25% must be fulfilled when both the export and import items pertain to Chapter 9 of the ITC HS Code. For all other cases, the MVA percentage is 15%. For more clarity, please refer to Appendix-6B.</p>
32.	Southern Online Bio Technologies Limited	Export of Goods/Services	Please clarify whether processed Used Cooking Oil can be exported. If so, please provide the relevant notification for free of export of processed UCO.	<p>We understand that the unit seeks permission to procure Used Cooking Oil (UCO) for the further export of processed UCO. Please note that as per Schedule 2 of ITC (HS), 2018, oils are listed under the tariff heading of Chapter 15. According to this schedule, oils are categorized under both free and prohibited categories across various tariff headings. The unit needs to assess the eligibility based on the specific product description. The Schedule 2 is enclosed for your ready reference.</p> <p>Even if the goods fall under the prohibited category, they may still be allowed for export with prior approval from the Board of Approval as per Rule 45 of the SEZ Rules, 2006. However, it is important to note that such prohibited items cannot be procured from the Domestic Tariff Area.</p> <p>Accordingly, if the processed UCO to be exported falls under prohibited category under Schedule 2, then procurement for such exports would not be allowed to be made domestically.</p>
33.	Sashi Varma XO Pack Private Limited,	GST Law	From when does the recommendations of 53rd GST Council Meeting come into force.	Recommendations made in GST Council meetings regarding rate changes generally come into force on a date specified in the official notification issued by the Government following the meeting.

S No.	Querist	Category	Query from Member	Response by Grant Thornton
34.	Chandru Ramachandran	Export benefits	<p>Regarding Customs & Excise Duty Drawback Rules 2017, please clarify on below points:</p> <ol style="list-style-type: none"> 1. Is a manufacturer eligible for drawback if they export finished goods incorporating duty-paid imported inputs or any excisable materials. 2. Can a manufacturer claim drawback if they have not used any duty-paid imported items but used petroleum products like diesel 3. Many manufacturing exporters claim drawback when filing Shipping Bills, regardless of whether diesel is used for captive power generation or in manufacturing. 4. Are there any barriers for exporters claiming duty drawback, regardless of diesel usage, and will Customs conduct audits post drawback claims. 	<p>According to Notification No. 98/2013 - CUSTOMS (N.T.) dated 14th September 2013, exports from EOU/SEZ units are ineligible for Duty Drawback benefits. Additionally, it is important to note that the payment of VAT and Excise Duty on diesel procurement is considered part of the RoDTEP scheme and is available to EOU/SEZ units.</p>
35.	Chandru Ramachandran	Export benefits	<p>In furtherance to above query, please clarify whether all Manufacturer Exporters are automatically eligible for duty drawback, assuming their HSN code is listed in the annual All Industry Rate Notification by Customs. Additionally, we inquire if exporters using the IGCR scheme for importing inputs can also avail duty drawback.</p>	<p>If the HSN code is notified under All Industry rate then the manufacturer would be eligible to claim the specified drawback irrespective of whether they use imported goods or not.</p>
36.	Chandru Ramachandran	Export benefits	<p>In furtherance to above query, please further clarify if Manufacturers using IGCR scheme for import of inputs for export product is also eligible for duty draw-back.</p>	<p>There is no denial under either rule for claiming dual benefits. However, manufacturers using the IGCR scheme to import inputs at a concessional rate for export products can also be eligible for duty drawback, provided they comply with specific conditions to avoid double benefits. This includes maintaining detailed records, proving that imported inputs were used in exported goods, and adjusting the duty drawback claim by the amount of concessional duty already availed. Proper documentation and adherence to regulatory requirements are essential for claiming both IGCR benefits and duty drawback.</p>
37.	Chiranjeevi Fysolate Technologies	SEZ/Icegate portal related	<p>We have gone through well the modules of billings in ICEGATE but we could not find the category under which the EOU to SEZ BOE will come. Please provide step by step procedure.</p>	<p>Filling of bill of entry module has not yet been uploaded to ICEGATE portal. For any assistance regarding this matter, you may contact the ICEGATE helpdesk</p>

S No.	Querist	Category	Query from Member	Response by Grant Thornton
38.	Vishnu Satheesan LoreMine Technologies Private Limited	Import of Goods/Services	We need CTH code of Laptop to initiate BOE and fullform of Item type column while filling BOE.	The CTH for importing laptops in India is 84713010. Further, please find below abbreviations used in BOE: Manufactured Goods - M Capital Goods - CG Raw Material - R Consumables - C By Product - B Waste/Scrap - W Spares and Accessories - S Remaking - RM Repair - RE Packaging Material - P Capital Goods-Building - CB Capital Goods-Plant & Machinery - CE Capital Goods-O & M - CO Traded Goods - TG Others – IO
39.	Vishnu Satheesan LoreMine Technologies Private Limited	Import of Goods/Services	In furtherance to above query, the CTH details shows for purchase of shows that it is restricted item as per DGFT notification.	Notification 23/2023, dated August 3, 2023, imposes restrictions on obtaining import authorizations for five specified categories of goods, including laptops. However, Circular No. 06/2023-24 extends the provisions of Notification 23/2023, exempting EOUs and SEZs from this requirement. Therefore, as per Circular 6/2023-24, an SEZ unit is not required to secure import authorization or registration for the importation of laptops, provided they are intended specifically for captive consumption.
40.	Balasubramaniyan.V Haxagon Nutrition	GST Law	Kindly clarify, can we file the DTA procurement in SEZ online for zero-rated supply made by DTA unit under LUT taken after invoice date. As per Circular No. 8/8/2017-GST dated 4 October 2017, LUT shall be valid for whole financial year in which it is tendered.	As per Rule 96A of the CGST Rules 2017, which outlines the procedure for exporting goods or services under an LUT (Letter of Undertaking), specifies that the registered person must furnish LUT before exporting goods or services without payment of tax. This LUT, once furnished, remains valid until the end of the financial year for which it is filed. Consequently, the unit cannot avail zero-rated benefit if the supplier does not have a valid LUT in place on the date of the invoice.

S No.	Querist	Category	Query from Member	Response by Grant Thornton
41.	R.B. INDUSTRIES	GST Law	<p>A new notification (No. 08/2024 GST) mandates the submission of SRM-1 for registration and disposal of packing machines for panmasala and tobacco products by all tobacco manufacturers. Our SEZ unit focuses solely on 100% exports, with no domestic sales. Our production of tobacco products like Gutkha and Panmasala varies based on buyer specifications, ranging from 2Gms to 4 Gms.</p> <p>We seek clarification on whether SEZ units exclusively engaged in exports need to comply with Form SRM-1. Additionally, due to irregular operation, our factory may remain idle for extended periods, leading to potential damage and downtime for packing machinery components due to dust and fungus buildup.</p>	<p>As per Notification No. 4/2024 - Central Tax dated April 10, 2024, amended vide notification no. 8/2004, all registered persons engaged in the manufacturing of goods listed in the attached schedule (including tobacco products like Pan Masala containing tobacco and Gutkha) must provide details of the packing machines used for filling and packing packages in FORM GST SRM-I. This requirement applies to every registered person, including SEZ units, and FORM GST SRM-I must be filed within 30 days of the notification date.</p> <p>Additionally, registered persons must submit a special monthly statement detailing the inputs used and the final goods produced in FORM GST SRM-II. This statement must be filed electronically on the common portal by the tenth day of the month following the reporting month. If the unit operates on a project basis and has no data to report in FORM GST SRM-II, it may submit the form as NIL.</p>
42.	Prashant Ghayal Piramal Pharma Limited (PPS)	Others	<p>We submitted an LUT without affixing a Common Seal, citing the Companies Act 2015 allowing non-adoption of a Common Seal. However, VSEZ insists on Common Seal affixation, contrary to legislative provisions allowing authorized signatures of Directors and the Company Secretary. We seek clarification on following:</p> <ol style="list-style-type: none"> 1. How to proceed without a Common Seal as per the Companies Act 2015. 2. Is compliance with the Companies Act mandatory for EPZs. 3. Are there notifications allowing LUT acceptance without a Common Seal for EOUs. 4. Your detailed guidance will help resolve our compliance issue with VSEZ effectively. 	<p>The Companies (Amendment) Act, 2015 has made the use of a common seal optional. Consequently, companies are no longer required to mandatorily possess such a common seal. It is recommended that the Company should inform the relevant jurisdictional authorities of this change in Companies Act.</p>
43.	Vishnu K S EXL	Others	<p>As per the Karnataka state law we are bound to pay stamp duty for lease registration/renewal. Do we have an option to get exemption for this stamp duty.</p>	<p>The government of Karnataka vide its order no. No.CI 282 SPI 2001, B'lore dated 25 February 2002, exempted all the industrial units located in the SEZ shall be fully exempted from payment of Stamp Duty & Registration Fees.</p>

S No.	Querist	Category	Query from Member	Response by Grant Thornton
44.	Krishnamurthy Rangaswamy DHL Supply Chain India Pvt Ltd	Export benefits	A foreign client of our FTWZ unit imports devices to India for testing. Under SEZ Rule 50, the goods are temporarily removed to a DTA contractor's facility for testing, ensuring no change in their identity. After testing, within 120 days (SEZ Rule 51), the goods return to our FTWZ unit. The DTA contractor bills the testing services to our foreign client. We seek clarification on how remittances from our foreign client to the DTA contractor for testing services can be facilitated.	As per Section 2(n) of the SEZ Act 2005, Free Trade and Warehousing Zone(FTWZ) means a Special Economic Zone wherein mainly trading and warehousing and other activities related thereto are carried on. Further, the definition of SEZ as per Sec 2(za) includes a FTWZ. Additionally, supply of service by the DTA unit to Foreign client in FTWZ would be considered as export of service. The DTA unit must raise a service invoice to the FTWZ unit (foreign client) and this invoice should be made in USD, as specified in section 2(z)(iii) of SEZ Act 2005.
45.	Shyoji Ram Prajapat Manor & Mews Pvt. Ltd.	DTA Procurement	We are a furniture manufacturing unit and need the finished furniture product from DTA Unit. Can we purchase the finished product from DTA. If not, then can we purchase finished product as a sample. Please also confirm that we have another one unit in DTA of furniture manufacturing, can we purchase the raw material from our DTA unit to SEZ Unit under LUT.	As per Rule 27 of the SEZ Rules, 2006, an SEZ unit is allowed to procure various types of goods, including raw materials, semi-finished goods, and capital goods, from a DTA unit without paying duty, provided it is for authorized operations. The DTA supplier must have a valid Letter of Undertaking (LUT) and ensure that the supply is for authorized operations to benefit from zero-rating supplies without tax payment. Note that the SEZ unit can purchase finished goods for trading purposes only if the trading activity is explicitly stated in the Letter of Approval (LOA).
46.	Shyam Vyas DBS Technology India Services Private Limited	DT	We operate two SEZ units under separate LOAs, each availing 10AA benefits with separate books of accounts. Unit 1 is nearing completion of its 10-year tenure in the upcoming financial year, while Unit 2 is in its 5th year this financial year. Considering creating a SEZ reinvestment reserve for Unit 1 to continue availing 10AA benefits through investments in plant and machinery. We seek clarification on whether the reserve created for Unit 1 can be used to purchase plant and machinery for Unit 2.	The issue revolves around the interpretation and utilization of the SEZ Reinvestment Reserve under Section 10AA of the Income-tax Act, 1961. This provision mandates the creation of a SEZ reinvestment reserve to support the business activities. However, question arises regarding whether this reserve can be utilized by any undertaking of the taxpayer, specifically whether it should be restricted to SEZ units or can extend to other business undertakings, or the utilization should be restricted to the SEZ unit with respect to which the reserve is created. Section 10AA(1)(ii) mandates the creation of the SEZ Reinvestment Reserve, while subsection (2) outlines its utilization for acquiring machinery and plant for the business of the undertaking. The crucial point of contention is the interpretation of "business of the assessee" versus "business of the undertaking," which could imply different scopes of application for the reserve. The term "undertaking" is pivotal in this context and is defined variably across different statutes and judicial interpretations. It generally encompasses any identifiable unit or division of the assessee's business that operates independently and conducts business activities. Continued

S No.	Querist	Category	Query from Member	Response by Grant Thornton
				<p>.....Continued</p> <p>On the other hand, "unit," specifically under the SEZ Act, refers to entities set up within SEZs, eligible for special benefits and tax exemptions.</p> <p>Three distinct interpretations emerge from the analysis:</p> <p>Wide interpretation: This view suggests that the SEZ Reinvestment Reserve can be utilized for any business undertaking of the assessee, irrespective of whether it is located within an SEZ or not. It leans on a liberal interpretation favouring the taxpayer's benefit, as supported by judicial precedents that advocate for broad interpretations of tax exemptions.</p> <p>SEZ unit specific interpretation: According to this perspective, the reserve should only benefit SEZ units of the assessee. This aligns with the original intent of the SEZ Act, which seeks to promote development within SEZs through targeted incentives. The nomenclature and purpose of the reserve account, along with Circular No. 7/2003 (which stated that the object of creating a reserve was to utilise the same for promotion and development of SEZ units and not for any other business of the assessee), reinforce this interpretation by emphasizing reinvestment within SEZs.</p> <p>Original SEZ unit interpretation: This view takes a narrower stance, positing that the reserve can only be utilized by the specific SEZ unit that initially generated the profits used to create the reserve. It draws support from the statutory Form 56FF, which requires declarations that the reserve was used exclusively by the SEZ unit for purchasing new plant and machinery.</p> <p>In conclusion, the diverse interpretations of "undertaking" and the legislative intent behind Section 10AA necessitate clarity for consistent application and to mitigate potential litigation. Each viewpoint reflects varying degrees of alignment with the SEZ policy objectives and broader tax principles. Resolving this ambiguity will require a careful consideration of statutory language, legislative history, and administrative guidelines to ensure equitable application across taxpayers and uphold the intended benefits of SEZ incentives.</p> <p>Given the interpretational complexity surrounding the utilization of the SEZ Reinvestment Reserve under Section 10AA, there exists a significant risk of litigation if a broad interpretation is adopted. The differing views on whether the reserve can be used by any undertaking of the assessee or strictly limited to SEZ units highlight the potential for disputes between taxpayers and tax authorities. Consequently, any decision regarding the application of this provision should be underpinned by a thorough analysis of the specific facts and circumstances of each case. Seeking a legal opinion would be prudent to ensure a well-founded tax position that aligns with both statutory provisions and judicial precedents, thereby mitigating potential litigation risks and ensuring compliance with the intended objectives of the SEZ incentives.</p>

S No.	Querist	Category	Query from Member	Response by Grant Thornton
47.	Abha Gupta	Exit from Scheme	Can you please share the checklist for surrendering SEZ license or exiting from SEZ scheme for a SEZ unit.	<p>Please find below the documents required for exit application:</p> <ul style="list-style-type: none"> - Duly Notarized Legal Undertaking on Rs. 100 Non-Judicial Stamp paper in Form L; Status of pending foreign exchange realization along with CA certificate; - RBI/AD Bank permission for extension of time in realization of pending foreign exchange, if any; - Copy of all the APRs filed till date; - Realization certificate duly authenticated by the banker of the unit regarding realization of foreign exchange since inception; - Board Resolution for exit of unit from SEZ scheme; - Board Resolution in favor of authorised signatory for signing such exit application. <p>No Objection Certificate/No Dues Certificate</p> <ul style="list-style-type: none"> - No objection certificate & No dues from Specified Officer w.r.t. exit of the unit; - No objection certificate / No dues from SEZ developer; - No Dues from UPFC/Bank/Financial Institutions regarding payment of their dues, if any; - No Dues Certificate for Softex Filing till the date upto which unit remained in operation; - No Dues Certificate from jurisdictional GST authorities; - No Dues in respect of Form-I (CST exemption) issued to the unit; - Affidavit to declare clearance of all applicable labour dues; - No Dues Certificate from Labour Department; - Certificate of independent valuer in respect of total value of assets.
48.	Abha Gupta	Exit from Scheme	In furtherance to above query, can you please also share compliances and checks which needs to be carried out for SEZ exit other than the documents.	<p>You may refer to Rule 74 of the SEZ Rules, 2006, which outlines the provisions for the exit of units. As per this rule, a unit may choose to exit the SEZ with the approval of the Development Commissioner (DC), subject to the payment of applicable duties, and must execute a legal undertaking in Form L.</p>

Please note that contents in this document are only for informational purpose. Our views expressed herein are based on the facts shared by the respective querist and existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. The views are exclusively for the reference of EPCES members and shall not, without our prior written consent, be disclosed to any other person.

Our views are not binding on any authority or court and so no assurance is given that a position contrary to that expressed herein will not be asserted by any authority and ultimately sustained by an appellate authority or a Court of law.

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