

EPCES NEWS

Volume : 28 Issue : 18

July - September 2024



CIM Chairs 3rd Board of Trade Meeting in Mumbai



Release of EPCES-PwC Study on SEZ Regulatory and Infrastructure Gaps.



10th Annual World FZO Congress Concludes in Dubai



Public Consultation for EOUs and SEZs
Chaired by
Shri Sunil Barthwal, Commerce Secretary

Friday, August 30th, 2024 | Hyatt Hyderabad Gachibowli

Commerce Secretary Chairs EOUs and SEZs Consultation in Hyderabad

Sector Wise Goods Exports - Trade Export

Rank	Commodities	Values in Million USD				% Change	
		Sept '23	Apr'23- Sept '23	Sept '24	Apr '24- Sept '24	Sept '24	Apr'24- Sept '24
1	Engineering Goods	8887	53421	9824	56237	11	5
2	Petroleum Products	6458	41747	4735	36538	-27	-12
3	Gems & Jewellery	3186	15619	2820	13919	-11	-11
4	Drugs & Pharmaceuticals	2394	13363	2567	14430	7	8
5	"Organic & Inorganic Chemicals"	2123	13492	2361	14109	11	5
6	Electronic Goods	1922	13062	2073	15641	8	20
7	RMG of all Textiles	946	6916	1110	7505	17	9
8	"Cotton Yarn/Fabs./made- ups, Handloom Products etc."	1018	5900	1053	5947	3	1
9	Plastic & Linoleum	617	3908	792	4411	28	13
10	Rice	556	5297	694	5120	25	-3
11	MARINE PRODUCTS	754	3804	633	3385	-16	-11
12	"Meat, dairy & poultry products"	398	2092	430	2239	8	7
13	"Man-made Yarn/Fabs./made-ups etc."	373	2336	415	2405	11	3
14	"Mica, Coal & Other Ores, Minerals including processed minerals"	399	2302	375	2253	-6	-2
15	Leather & leather products	330	2236	360	2235	9	0
16	Spices	264	1950	335	2092	27	7
17	"Ceramic products & glassware"	362	2229	323	1980	-11	-11
18	Fruits & Vegetables	257	1609	279	1692	8	5
19	"Cereal preparations & miscellaneous processed items"	230	1390	265	1541	15	11
20	Tobacco	137	710	206	986	51	39
21	"Handicrafts excl. handmade carpet"	122	792	180	879	48	11
22	Coffee	90	631	158	932	75	48
23	Carpet	114	669	131	746	15	11
24	Oil Meals	107	786	121	695	13	-12
25	Iron Ore	223	1503	94	1089	-58	-28
26	Tea	83	388	87	443	6	14
27	Oil seeds	63	654	73	628	15	-4
28	"Jute Mfg. including Floor Covering"	29	185	34	179	16	-3
29	Cashew	20	158	21	139	2	-12
30	Other cereals	26	379	16	100	-37	-74
	Sub-Total	32486.63	199527.49	32563.55	200494.28	0.24	0.48
	GRAND TOTAL	34407.98	211079.42	34582.15	213222.29	0.51	1.02

"Note 1: Exports include Re-Exports.

Note 2: The figures for SEPTEMBER'24 are provisional. Note 3: Grand total is inclusive of component 'Other'"

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EPCES News

A Newsletter by Export Promotion Council for EOUs & SEZs (Set up by Ministry of Commerce and Industry, Government of India)

A101, 10th Floor, Himalaya House,
23, Kasturba Gandhi Marg,
New Delhi - 110001
Email : epces@epces.in
Website : www.epces.in

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Srikanth Badiga
Chairman, EPCES

Alok Vardhan Chaturvedi
Director General, EPCES

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Srikanth Badiga
Chairman, EPCES



The Chinese Central Bank has also announced rate cuts as a part of the stimulus to boost its real estate and also the broader economy. On the other hand, India RBI and the UK's Monetary Policy Committee decided to leave the repo rate unchanged for the moment.



Dear Friends,

As the OECD's latest Interim Economic Outlook points to a resilient growth in the global economy through the first half of 2024, we have seen interest rate cuts. The US economy has been seen performing better than previously indicated with the GDP estimates confirming a 3% growth in the second quarter, driven by consumer spending and improved investments by the business community. The Chinese Central Bank has also announced rate cuts as a part of the stimulus to boost its real estate and also the broader economy. On the other hand, India RBI and the UK's Monetary Policy Committee decided to leave the repo rate unchanged for the moment.

In India, with only the government spending remaining flat, the economy expanded by 6.7% in the second quarter of 2024. Robust growth in manufacturing and service sectors continued as PMI stood at 57.5 and 60.9 respectively. Plans by the government to more than triple its investment in the semiconductor industry to USD 500 billion from the current USD 150 billion, normalized global supply chain markets buoyed by anticipated increase in festive season sales that could bring cheer to businesses. India continues to remain as the fastest growing major economies of 2025 in terms of real GDP growth forecasts at 6.8%.

The World Congress 2024 that I attended in Dubai was organized by the World Free Zones Organization this September. The 10th anniversary event was held in a big way with more than 3000+ delegates from 120+ countries and 20 groups of Ministers attending the same where I had the fortune of coming across some interesting insights that I would like to highlight here. At the Private Sector Investor meeting session global experts shared invaluable insights on developing successful zones amidst a rapidly evolving industry, regulatory, and geo-political landscape, I have stressed upon private sector and discussed the success stories of zones India and how private participants transformed the Export Processing Zones into Special Economic Zones. In the panel discussion: fz's: major challenges and way forward, we addressed the regulatory, industry and geo-political shifts affecting the global SEZs today and what innovative approaches could be undertaken to attract FDIs in cleantech, AI and reshoring using technological advancements, tax agreements, innovative financing mechanisms. In our discussions on BRICS+, we discussed several win-win opportunities by forging partnerships aiming to promote mutual growth in emerging markets. We discussed about the potential market size, scope and sectors for collaboration with each of the BRICS+ nations and India. The discussions included potential areas of cooperation, and how to foster innovation through Public Private Partnership models, and the various mechanisms to foster trade among BRICS+ economies to building mutual trusts. I hope that EPCES will play a role in taking these discussions forward and facilitating tie-ups with international players looking to grab opportunities within these economies, thereby benefiting our member companies in a big way.

In these sessions, I have highlighted the developments in India and showcased about how our SEZs have become a key aspect in our export growth story and the benefits of conducting trade with Indian counterparts. With businesses looking forward to diversifying supply chains and potential benefits of investing in the Asian region, India is seen as one of the attractive destinations for investments by global investors. Businesses particularly are drawn by the huge consuming population and English-speaking base, with stable political framework as an important key feature supporting India. Given these tailwinds and resolving issues related to allowing DTA sales on duty foregone basis and payment in INR for supply of services coming in could help attract global investors to operate in India. The Ministry of Commerce & Industry is working to impress upon the Finance Ministry in seeking these amendments.

It would have been a pleasure having you all at the 10th World Congress in which who's who of the SEZ industry joined under the patronage of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President, Prime Minister and Ruler of Dubai. Nonetheless, we are planning an event in India with participants from the international community for the benefit of our members.

I hope you will find this edition informative and interesting. I will be eager to hear your suggestions to make this magazine more meaningful and useful.

Wishing you a very happy Diwali in advance.

I hope that this festive season brings in bounds of prosperity and happiness to us all!!!

Srikanth Badiga

Dear Members,

In the WTO October 2024 update of "Global Trade Outlook and Statistics", global goods trade is projected to post a 2.7% increase in 2024, up slightly from the previous estimate of 2.6%. The rebound comes on the heels of a -1.1% slump in 2023 driven by high inflation and rising interest rates. World real GDP growth at market exchange rates is expected to remain steady at 2.7% in 2024 and 2025. Inflation by the middle of 2024 had fallen sufficiently to allow central banks to cut interest rates. Lower inflation should raise real household incomes and boost consumer spending, while lower interest rates should raise investment spending by firms. However, there are potential setbacks, particularly the potential escalation of regional conflicts like those in the Middle East. The impact could be most severe for the countries directly involved, but they may also indirectly affect global energy costs and shipping routes.

During April-September 2024, Indian merchandise exports increased by 1% to US\$ 213.22 billion, while services exports are expected to increase by 9.8% to US\$ 180 billion, thus overall exports increasing by 4.85% to US\$ 393.22 billion. Due to transition of from SEZ Online to ICEGATE w.e.f.1.7.2024, mechanism of data sharing between DG System and the Commerce Ministry regarding exports and imports from SEZs is still under process.

EPCES organised an open house under the chair of the Commerce Secretary at Hyderabad on 30 August 2024. It appears that the Amendment in SEZ Act for enabling DTA sale on duty foregone principle and payment in INR for DTA supply of services is no longer under active consideration of the Government. Government is perhaps examining various schemes like MOOWR, EOUs, SEZs, Industrial cities, Industrial Parks to take a holistic view.

Rollout of ICEGATE in SEZs w.e.f. 1.7.2024 has been very tortuous for our members. The ICEGATE module for SEZs is not yet stable, there are many shortcomings. EPCES has strongly take it up with the Department of Commerce and the Department of Revenue/ CBIC. Government has decided for parallel operation of existing arrangement through SEZ Online till 10.12.2024.

EOUs have also suffered due to sudden implementation of IGCR automation w.e.f. 1.9.2024. Considering the difficulties involved in the process for EOUs on boarding the new IGCR system, EPCES took up immediately with CBIC/ DoR and ensured that training sessions were held immediately on registration and conversion of old EOU bonds to new IGCR Bond, and the implementation was postponed first to 17.9.2024 and later to 25.9.2024. On the request of EPCES, a dedicated WhatsApp group "EOUs Onboarding IGCR" has been formed for handholding EOUs in his transition.

Among our regular articles, you will find information about the status of issues taken by the EPCES with the Government, details of queries answered by our knowledge partner in addition to activities at headquarter and Regional levels. We will be happy to hear from you for suggestions for improving the news magazine.

With best wishes,



Alok V Chaturvedi



Alok V Chaturvedi
Director General, EPCES



Global Trade Outlook and Statistics", global goods trade is projected to post a 2.7% increase in 2024, up slightly from the previous estimate of 2.6% The rebound comes on the heels of a -1.1% slump in 2023 driven by high inflation and rising interest rates. World real GDP growth at market exchange rates is expected to remain steady at 2.7% in 2024 and 2025.



Stakeholder Consultation for EOUs & SEZs

Chaired by
Shri Sunil Barthwal, Commerce Secretary

Friday, August 30th, 2024 | Hyatt Hyderabad Gachibowli



Commerce Secretary holds “Stakeholder Consultation for EOUs and SEZs” in Hyderabad

EPCES, in association with Phoenix Group, K Raheja Corp and Divyasree, organized “Stakeholder Consultation for EOUs and SEZs” under the chairmanship of Shri Sunil Barthwal, Commerce Secretary on 30.8.2024 in Hyatt Hyderabad, Gachibowli during 6pm-830pm. Shri L Satya Srinivas, Additional Secretary, Shri Vimal Anand, Joint Secretary, Zonal Development Commissioners and other senior officers also participated. Shri Srikanth Badiga, Chairman EPCES, Shri Alok Chaturvedi, DG, EPCES, Shri Shrawan Kumar Gone, COO of AP and Telangana at K Raheja Corp and more than 50 representatives from different SEZs and EOUs also participated in the event.

Shri Badiga, Chairman EPCES welcomed the Commerce Secretary, Joint Secretary, Zonal Development Commissioner and other distinguished participants. He stated that there has been a total incremental investment of 6.46 lakh crore since February 2006 and incremental employment generation of 29.35 lakh persons. Exports worth **Rs 13.55 lakh** crore have been made from SEZs during 2023-24 with an average growth rate of **7%**. **SEZ developer** and units have almost returned to Government (in term of taxes) more than 10 times the duty benefits taken. There has been some setback due to sunset clause. Post-Covid hybrid work culture has also dented the



utilization of office space which has created deep financial stress for SEZ developers.

Shri Alok Chaturvedi, DG EPCES, in the opening remarks, stated that a list of queries raised by members has been shared with the Ministry as well as all participants. He brought out the key issues as below for setting the context:

- (i) A clarity regarding bringing SEZ reforms through DESH Bill or amendment in SEZ Act is required. It is pending since FM budget announcement in February 2022. Supplies to DTA on duty foregone basis as is the case in EOUs and MOOWR scheme, INR payment for supply of services from SEZ to DTA and streamlined job work/reverse job work arrangements between SEZ and DTA are the key reforms required for boosting investments in SEZs.
- (ii) Some reforms can be undertaken through amendment in SEZ rules such as streamlined job work/reverse job work arrangements between SEZ and DTA, no export duty on procurement of inputs by SEZ units from DTA, etc. These should be taken up. There is no justification for levying export duty on DTA to SEZ supplies and that too through SEZ Rules (and not through Act which does not provide any such export duty) which has already been struck down by High Court and appeal by Government is pending in Supreme Court without any stay.
- (iii) SEZ developers, particularly, IT/ITES ones, are in deep financial stress. Therefore, quick approval should be given for partial de-notification or demarcation as non-processing area under SEZ Rule 11B. There should be mechanism of in principle approval for partial denotification or demarcation as non-processing area and phased approval as developers have to mobilize funds for payment of duty benefits. Interest cost increases if there is delay in approvals. Some minor amendments in Rule 11B also needs to be carried out for return of only proportionate duty benefits taken rather than total benefits taken for creation of common social and commercial infrastructure.

Clarification regarding depreciation also needs to be issued.

- (iv) There is a need for reducing compliance burden in SEZs, especially DTA to SEZ supplies of goods and services. There are huge pendencies in endorsement of DTA invoices as 100% endorsement is required and further, there is no automatic transmission of endorsed DTA invoices to concerned GST officers to enable GST refund for such suppliers. This needs to be streamline urgently.
- (v) SEZ online to ICEGATE transition has been tortuous. These have not been just teething problems but many modules/facilities related to SEZ ecosystem were not developed at the time of launch. Industry is facing delays and financial loss due to demurrage and additional manpower in compliance.
- (vi) IT/ITES SEZs are also being asked to be in ICEGATE and provide infrastructure for the same even when there is hardly any import or export of goods.
- (vii) Whenever DGFT makes import policy restricted for any good, in the notification itself, it should be mentioned that the same are not applicable to SEZs and EOUs in terms of specific provisions in SEZ Rules and EOU scheme. Otherwise, exports have to seek clarifications from DGFT and thereafter clarification is issued for exemption. However, Customs authorities stop these goods without import license from DGFT. DGFT may kindly be requested to keep this in mind.

The following queries were raised by the participants during Q&A session:

- a) Mr Amogh Patankar, Sr. VP K Raheja Corp. requested that Partial de-notification proposal may be approved in file as was being done earlier. Commerce Secretary stated that this issue of approval in file for partial de-notification proposal was discussed in the BOA meeting. He said that now the BOA meetings are being organised every month and efforts

are there that no proposal remains pending for more than one month. Moreover, it has been realised that in the BOA, the discussions are held in depth and they try to understand the reasons behind such proposals. Moreover, DGEP officers also want to understand the proposal and ensure that duty benefits have been paid. However, it was assured that no proposal would be pending for more than one month whether BOA meeting is held or not.

b) Mr Sathyanarayana, VP Granules India Ltd requested for aligning the HSN code of Paracetamol at six digit level with the one used by other countries such as USA, UK, China, South Korea, Indonesia, Turkey, etc. The Indian Customs Authorities have classified Paracetamol as 2922 29 at 6 digit level, while USA, UK, China, South Korea, Indonesia, Turkey, etc. have classified Paracetamol as 2924 29 at six digit level. This has resulted in export of Paracetamol to Korea not getting the benefit under India-Korea Comprehensive Economic Partnership Agreement (INKCEPA). Their customers based in Korea are not able to get duty benefit under INKCEPA and hence not placing orders to us. Additional Secretary responded that DoC is aware of the issue and he has discussed with the Tariff Unit division in the CBIC and they are in agreement with the suggestions and will issue the change in HSN

Code. He assured to follow up the matter with CBIC.

- c) It was requested that RoDTEP validity should be extended beyond 30.9.2024. It was informed that this issue is not specific to SEZ units /EOUs and it relates to DTA units as well. It is being examined by the Government.
- d) Mr K Raghava Reddy, CEO Midwest Granite Pvt Ltd raised the issue of not getting refund of TED in VSEZ only while the same is being given in other zones. DC VSEZ explained that customs have observed that manufacturing of granite is not covered under the definition of manufacturing while under the SEZ Act mining, etc. are covered under manufacturing and they should get it. The matter has been sent to the SEZ division a year back and is at present pending with DGFT office. Commerce Secretary advised that things should not remain pending for so long and DC should have reminded it in the BOA meeting. AS assured that it will be resolved on priority.
- e) Mr Ravi Kumar from Mylan laboratories stated that there is lack of clarity about the sanctioning authority for the TED refund and there have been delays in getting TED refund. AS(SEZ) informed that there has been confusion because of multiple court cases and now they will be issuing instructions about it. He also raised the issue of health cess. This is not exempt. This should also be exempted. It was assured that this will be taken up for exemption.
- f) Ms Preeti Yadav from Sundew Properties Ltd requested to clarify whether any further approvals are required once the demarcation details have been approved by the BOA. It was clarified by the AS(SEZ) that there are two types approval are being given by BOA one is subject to payment of duty – in that case the unit has to go to DC to show that duty has been paid, in other type of cases where DC has stated in order that duty has been paid, the order is final and then the



developer need not go to DC. She requested that a clarity is required as in some zones, DC offices are insisting that once BOA approval is granted about the demarcation, DC will issue demarcation order. Commerce Secretary directed that since there is some ambiguity in there, clarification/guidelines may be issued.

- g) Mr Amogh Patankar, K Raheja Corp. raised the issue of getting NOC from the State Governments even for partial de-notification of SEZs. He stated that there is cumbersome process for the same resulting into delays. AS (SEZ) advised that consent of the State Government was taken for SEZ use. For non-SEZ use, it would be advisable that State Govt NOC may be taken. It was decided that the issue may be taken up in the Board of Trade meeting. If any proposal is pending for long due to administrative reasons, it may be brought to the notice of DC /EPCES /DoC for taking it up with the State Government concerned for early disposal.
- h) Mr Pradeep Gupta from DBS technology Services raised the issue of huge pendencies in endorsement of DTA invoices for zero rated supply of service to SEZ by DTA units. Without endorsement, DTA suppliers will have to bear GST liability even though these are zero-rated supplies. AS (SEZ) stated that (i) G S T Policy wing has assured to examine the issue that endorsement of a risk based sample of invoices be undertaken and (ii) GSTN has acceded to DoC request for creating of dashboard for the GST officers to see the relevant endorsed invoices sent by SEZ Online to GSTN. Commerce Secretary directed that a meeting at his level be scheduled with all relevant officers to resolve the matter as digital footprint should be acceptable to all.
- i) Mr G Narayan Rao, CFO, NSL SEZ IT/ITES raised the issue of depreciation while calculating the duty to be paid back in case of demarcation of NPA under Rule 11B. In some cases (plants and machinery), depreciation is allowed while in other cases (part of building, elevator

etc.), it is not allowed. Ms Preeti Yadav from Sundew Properties Ltd clarified that as per the clarifications issued vide Instruction No 115, under Issue 7, it has been clarified that SEZ Rule 49 will be applicable for clearance of plants and machinery pertaining to Rule 11B(5)(i) and not 11B(5)(ii). AS (SEZ) further explained the background of introducing this Rule 11B. However, now more requests like proportionate payment of duties, depreciation, etc. are being made. Commerce Secretary agreed that though, there is a logic in the demand, we need to consider the larger perspective as well. However, these issues will also be taken up with D/o Revenue. Additional Secretary (SEZ) referred to the issue of export duty on DTA supplies to SEZ and stated that it must be appreciated that SEZs are foreign customs territory and may not be treated as DTA. However, considering the points raised by DG, EPCES, export duty issue will be taken with DoR. Government is considering how to bring scale of operations in SEZs and it considers job work as an important tool for the same and hence will be taken up with the D/o Revenue. As regards ICEGATE in SEZ, he stated that 95% of exports documents are handled by DTA and that are being handled by ICEGATE, and only 5% of the documents, even though 20% of exports, are being handed in SEZs through SEZ Online. He stated that presently we are facing teething problems in migration from SEZ Online to ICEGATE in case of SEZs and weekly review meetings are being held to resolve them. The other issue of having ICEGATE in IT/ITES SEZs is an important issue and some kind of a centralised technical solution may be explored in consultation with DG Systems. He informed that a detailed review of SEZ concept vis-à-vis DTA is being undertaken and the issues related to DTA supply on duty foregone basis or INR payment for Services to DTA from SEZ are under review. Government is thinking how to bring more investment in SEZs. In the meanwhile, the issues related to Ease of Doing Business which are being raised in these meeting

will be addressed. Commerce Secretary, in his keynote address, assured to continue these kinds of interactions with the industry representatives which provide the opportunity for better and deeper understanding of issues facing the industry. He explained the larger context of SEZs in India and the world, the ongoing debate about the concept of SEZs and China providing specialised services for boosting SEZs in Africa. He informed that today 70% of total trade is intra firm trade and GVCs have become the norm. Therefore, scale is important to be competitive in global market and therefore, integration of domestic and export market is very important to achieve economy of scale. In this context, SEZs too have to be better integrated with domestic market. He informed that at the highest level of the Government various schemes such as MOOWR, EOUs, SEZs, Advance Authorisation,

etc. are being examined with a view to make the whole system more efficient. He suggested that while some issues require legislative action in terms of amendment of Act, one should identify reforms which can be undertaken through amendment in SEZ Rules, issues of instructions or guidelines. These are also very important and he suggested that EPCES may work in this regard and give its recommendations to Government and in fact, in the BOA meeting, besides the regular agenda, we should regularly discuss the issues raised by EPCES and the progress made in resolution of the same. Shri Shrawan Kumar Gone, COO of AP and Telangana at K Raheja Corp, gave a vote of thanks and appreciated the gesture of the Commerce Secretary and his team to visit Hyderabad for a detailed interaction. He hoped that Government will address the problems raised during the Session.



CIM and Commerce Secretary releases EPCES-PwC Study on “Identifying Regulatory and Infrastructure Gaps in Government SEZs and Proposing an Action Plan”



EPCES engaged PwC for a study for identifying regulatory and infrastructure gaps and preparing a kind of To-Do list for Government SEZs - NSEZ, MPEZ, VSEZ, SEEPZ, KSEZ, CSEZ. The report was prepared primarily based on the feedback of the units in the SEZs and in consultation with DC concerned.

The project entailed identification of gaps and challenges faced by SEZ units in day-to-day operations assessed through consultations with various stakeholders. Challenges were aligned across various categories:

- Operational issues pertaining to day-to-day activities
- Issues identified across internal and external accessibility and connectivity for the units








- Regulatory challenges pertaining to all business activities of the units

As part of the study “to do” list for each SEZ has been prepared to fast forward resolution of the identified gaps by the SEZ authorities. The report was released by the Commerce Secretary on 31.7.2024 in Vanija Bhawan before the Development Commissioner following the Board of Approval Meeting. The study report is available on the EPCES website: <http://www.epces.in>

- Infrastructure and utilities challenges identified by the units






All Zones

Summary of key interventions proposed for units across 6 SEZs

2 Infrastructure Interventions	
 <p>Periodic and predictive maintenance of power lines, provision of solar power supply</p>	<ul style="list-style-type: none"> • Power shutdown for repair and maintenance to be carried out on weekends instead of working days • Provision of solar power supply to be made within the zone, routing of solar power on top of SDFs to units can be thought of • Rationalization of electricity tariffs in case of SEEPZ • Predictive maintenance to be prioritized over reactive maintenance
 <p>Provision of rainwater harvesting, increasing frequency of piped water supply, better choice of pipeline material</p>	<ul style="list-style-type: none"> • Alternate material for water pipes can be used in standard design factory units of the zones to deal with rust issues • Set up of storage tanks within SEZs, enhancement of pipeline infrastructure wherever applicable • Setting up of rainwater harvesting in the zones will alleviate water supply crisis in the short to medium term
 <p>Faster rollout of PNG and common internet infrastructure</p>	<ul style="list-style-type: none"> • Provision for reliable piped natural gas connection in the zone to all units • Wider and faster rollout of piped gas connection to the zones remain a key priority ask of the units • Provision of reliable internet leased lines to be made available in the zones
 <p>Setting up of sewage treatment plants, road widening, sewage lines and automated waste collection mechanism</p>	<ul style="list-style-type: none"> • Setting up of individual STPs within the zones to treat and return recycled water for use in the zone • Separate network infrastructure for sewage waste and storm water runoff and increased coverage of drainage network • Installation of automated waste collection mechanism for better disposal of municipal waste • Single consortium or single contractor for common infrastructure maintenance works instead of multiple agencies
 <p>Augment SDFs infrastructure, demarcation of parking facilities and provision of common facilities</p>	<ul style="list-style-type: none"> • Empanel SDF maintenance works agency in zones, provision of separate lifts for goods and people movements at SDFs • Improvement in parking and clearance facilities, setting up of courier services and foreign banks within the zone • Rollout of public transportation modes such as EV rickshaws for movement of people in the SEZ beyond working hours • Separate entry gates for people and goods wherever applicable, renovation and capacity enhancement of canteen facilities

Summary of key interventions proposed for units across 6 SEZs

All Zones

2 Regulatory Environment (Operations within SEZ and dealing with DTA)	
 <p>Single window functionality, extension of LOP validity</p>	<ul style="list-style-type: none"> • All state departmental approvals to be provided through single window • DC office to be sole point of contact for any third-party approvals (testing agencies) • Validity of LOP to be extended from 5 to at least 10 years • Auto transmitting of transaction data from SEZ online to ICEGATE, enabling EDI in zones where applicable
 <p>Simpler broadbanding rules, paperless procedures across unit lifecycle</p>	<ul style="list-style-type: none"> • Broad banding to be allowed basis the entire chapter requested by the unit not on individual products leaving prohibited goods • Procedure related to approval in setting up unit as well as conducting day to day operations can be made only in one mode preferably online • Uniform treatment of scrap goods will reduce unnecessary procedure
 <p>Increasing number of approval committee meetings, strengthening of bodies, digital enablement</p>	<ul style="list-style-type: none"> • Digital transformation in maintenance works request and service will enable transparency in ownership • Faster response time on approval requests related to amendments, exit of shipping goods • Augmenting estate management capacity, increasing frequency of approval committee meetings
 <p>Simpler DTA procedures related to sales and temporary removal for repair and sample goods</p>	<ul style="list-style-type: none"> • Temporary removal without return functionality to be provisioned for sample goods • GST exemption on return of reject goods, simpler procedure for vendor LUT to supply goods to SEZ • Provision of “deemed permit” on repair goods if not granted for more than a week • Single temporary removal procedure for entry and return of goods
 <p>Availability of alternate personnels, provision of 24*7 clearance</p>	<ul style="list-style-type: none"> • Provisioning of multiple shifts at customs during certain hours can mitigate manpower unavailability • The customs window for exiting goods can be made operational for extended hours and can follow the guidelines of 24*7 customs clearance

Board of Trade Meeting

13th September 2024
Mumbai



CIM Chairs 3rd Board of Trade Meeting in Mumbai

Union Minister of Commerce and Industry, Shri Piyush Goyal, chaired the third meeting of the reconstituted Board of Trade at Mumbai, on 13.9.2024 at Mumbai.

The Board of Trade functions as a key platform for collaboration, discussion, and policy recommendations to bolster the growth of India's international trade. Bringing together representatives from the Industry Ministry, State Governments, industry stakeholders, and trade organizations, this advisory body seeks to shape a thriving trade ecosystem.

Ministers from 10 State Governments (Goa, MP, Rajasthan, Tamil Nadu, Tripura, Assam, UP, Gujarat, Sikkim, Telangana) were in attendance for this important session. Secretary, Department of Commerce, Shri Sunil Barthwal, Additional Secretary and Director General, DGFT, Shri Santosh Sarangi and other senior officials of Government of

India and State/UT Governments also attended the meeting.

Shri Piyush Goyal reaffirmed the government's commitment to drive economic growth through robust partnerships with state governments. The Minister emphasized that initiatives of the government are instrumental in guiding India towards a more transparent, efficient, and sustainable trade environment, benefiting the country's broader economic landscape.

Shri Goyal launched the Department of Commerce's Jan Sunwai Portal, designed to streamline communication between stakeholders and authorities, providing a direct and transparent channel for addressing trade and industry-related issues. This portal offers on-demand video conferencing services, in addition to fixed video conference links for regular, scheduled interactions. The portal's accessibility extends across various offices and autonomous bodies under the Department of Commerce, such as the DGFT, Coffee Board, Tea Board, Spices Board, Rubber Board, APEDA, MPEDA, ITPO, and EIC.

Shri Piyush Goyal also inaugurated ECGC's new online service portal, alongside a revamped inhouse SMILE-ERP system. These innovations mark a significant leap towards paperless processing and faceless service delivery, benefiting both exporters



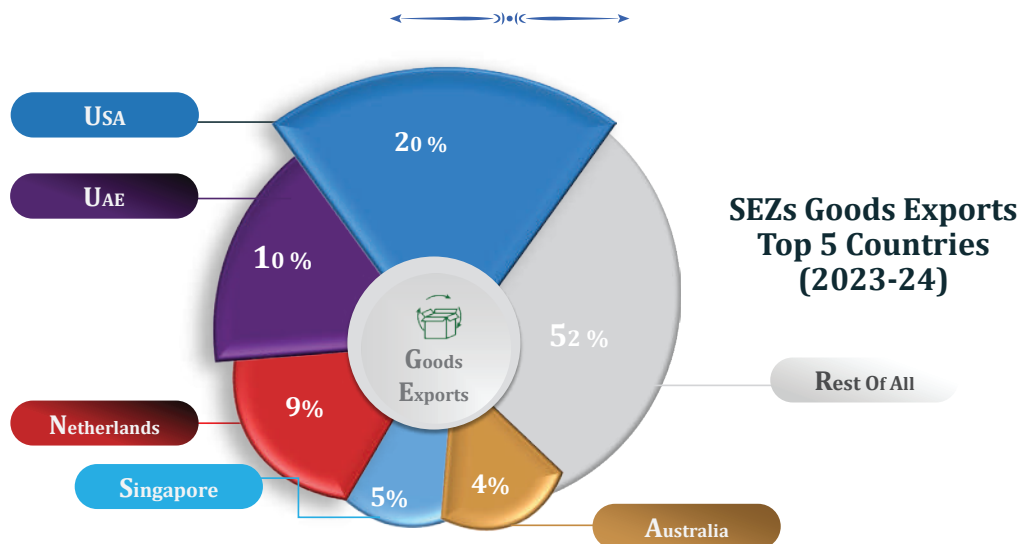
operational control, and a meaningful reduction in the carbon footprint to support sustainability goals. ECGC's embrace of digital solutions underscores its unwavering commitment to innovation, operational excellence, and customer satisfaction, ensuring world-class services for Indian exporters.

Discussions in the meeting centred around critical initiatives aimed at fostering employment across states and enhancing the role of the Department of Commerce in promoting state-level economic growth.

The session also featured interactive presentations from the State Governments of Uttar Pradesh, Karnataka, Tamil Nadu, Telangana and Madhya Pradesh, showcasing their achievements in export promotion and ease of doing business (EODB), interventions, and ongoing state-level initiatives. Best practices for export promotion were shared across the board, providing valuable insights for peer states. The participation and suggestions from the states of Assam, Tripura, and Sikkim are expected to lead to higher export potential from the North East region.

In the realm of E-Commerce exports, the Board of Trade was informed by officials from the Central Board of Indirect Taxes & Customs (CBIC) that effective immediately, RoDTEP, RoSCTL, and Drawback benefits will be extended to all exports made via Courier. Plans to extend these benefits to postal route exports are also in the pipeline, creating a more equitable environment for ECommerce exporters utilizing the courier and postal mode.

and banks. This transformation will not only streamline customer services but also enhance ECGC's core operational efficiency. Key outcomes include full automation of processes, business process integration, quicker claim disposals, enhanced



10TH WORLD FZO WORLD CONGRESS



10th Annual World FZO Congress Concludes in Dubai: Shri Srikanth Badiga Represents EPCES

The 10th edition of the World Free Zones Organization (World FZO) Annual Congress was held in Dubai under the patronage of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President, Prime Minister, and Ruler of Dubai. The event brought together over 3,000 participants from 136 countries to discuss the role of free zones in promoting global trade and investment.

Insights on India's Special Economic Zones

At the **Private Sector Meeting** session, experts shared valuable knowledge about developing successful free zones in today's changing global environment. **Mr. Srikanth Badiga**, Director of Phoenix Group, India, spoke about how private companies have played a key role in turning Export Processing Zones (EPZs) into Special Economic Zones (SEZs)



in India. He highlighted the importance of the IT and ITES sectors in India's SEZs, but also pointed to the opportunities in manufacturing. He expressed confidence that the Indian government would introduce new policies to increase the number of multi-product manufacturing SEZs, which would benefit the private sector, investors, and the economy as a whole.

Addressing Global Challenges in Free Zones

In the Panel Discussion: **Free Zones – Major Challenges and the Way Forward**, Mr. Badiga joined experts to discuss the challenges facing free zones today, including changes in regulations and the global political climate. The panel explored how new technologies like AI, innovative financing methods, and tax agreements can attract foreign investment in clean technology and other sectors. The focus was on finding ways for free zones to remain competitive and support global trade.

AI and New Technologies in Trade

During the session titled **The Future Role of AI and New Technologies in Global Trade 2.0**, Mr. Srikanth Badiga discussed how countries in the BRICS+ group can take advantage of rapid technological advances and sustainable development to improve international trade. He suggested that SEZs could play a key role in strengthening global supply chains and proposed ideas like sharing experiences, joint

research projects, and organizing trade exhibitions. Mr. Badiga also emphasized the need to create a BRICS value chain to help manage risks and promote regional trade.

Strengthening India-US Trade Relations



Mr. Badiga, who is also the Regional President of the South India Council of the Indo-American Chamber of Commerce (IACC), spoke about how free zones can strengthen trade between India and the United States. His leadership roles in both the **Export Promotion Council for EOUs & SEZs (EPCES)** and **IACC** show his commitment to building international partnerships and supporting SEZs in India.

Key Outcomes

The 10th Annual World FZO Congress addressed important topics such as the impact of AI and blockchain on global supply chains. At the Ministerial Meeting, H.E. Dr. Thani bin Ahmed Al Zeyoudi, Minister of State for Foreign Trade of the UAE, emphasized the role of new technologies in strengthening supply chains and promoting international trade through agreements like the UAE's Comprehensive Economic Partnership Agreements (CEPAs). The discussions also highlighted the need for partnerships between the public and private sectors and investment in areas like renewable energy.

One of the significant outcomes of the congress was the signing of a Memorandum of Understanding (MoU) between the World FZO and the African Continental Free Trade Area (AfCFTA). This partnership aims to support policy development, build capacity, and promote investment in African free zones.



The World FZO also introduced a new corporate identity focused on the pillars of Impact, Influence, and Trust, aiming to promote sustainable economic growth and strengthen the role of free zones in the global economy.

The 10th World FZO Congress provided a platform for participants to explore new ways to attract investment and boost global trade. Mr. Srikanth Badiga's contributions were especially important in promoting cooperation between India and the global free zone community, paving the way for future growth in India's SEZ sector.



EXPORT PROMOTION COUNCIL FOR EOU_s AND SEZ_s

(Setup by Ministry of Commerce and Industry, Government of India)

A-101, 10th floor, Himalaya House, 23, Kasturba Gandhi Marg, New Delhi-110001

Tel: 23329766-70 E-mail: epces@epces.in Web: www.epces.in

Roll-out of ICEGATE in non IT/ITES SEZs including FTWZs- Difficulties being faced by SEZ Units- Request for SEZ Online operations till 31.10.2024 till bugs and all transactions are incorporated and tested in ICEGATE SEZ modules

9 October 2024 at 13:24

Dear Sir(s)

This is regarding the roll-out of the Customs Automated System (ICEGATE) across all non-IT/ITES SEZs and FTWZs.

A review meeting was taken by the Commerce Secretary on 31.7.2024 and by the Additional Secretary (SEZ) on 19.9.2024.

EPCES is not aware of the feedback given by the office of the DG Systems about addressing the outstanding problems pointed out by EPCES, Zonal DCs and SEEPZ Gems & Jewellery Manufacturing Association as was decided in the last review on 19th Sept.

It is hoped that Zonal DCs must have given their feedback post review on 19.9.2024.

EPCES has taken quick feedback from SEZ Units since 7.10.2024 through Google forms. A copy of the Unit wise feedback from about 150 plus SEZ units received so far is attached.

The link of the Google spreadsheet is given below as the responses are being received in real-time.ink of the Google spreadsheet is given below as the responses are being received in real-time.

<https://docs.google.com/spreadsheets/d/1bvdVw8lrrK6TaKkMaQXgZ1izm77ge9rlCXB6kwi9u6s/edit?usp=sharing>

Further, the difficulties pointed out by SEZ units have also been categorised in Export, Import, SEZ to DTA and DTA to SEZ categories and are attached.

The crux is :

1. Units are doing exports (SBs) even though the system is still unstable, e-Sanchit not working, LEO, eGate Pass, copy neither being received thru email in time nor downloadable. There are frequent break downs in availability of services. There is no certainty of time taken between filing of shipping bills and getting EGMs.
2. Hardly any units are able to get RoDTEP benefits. There are problems in linking EGM with SBs and scroll generation.



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3. Seeing difficulties in exports , many units are not going for imports through ICEGATE.
4. Complex procedures for DTA clearances and DTA procurement - treating them as exports and imports , requirement of IEC and ICEGATE id has made these routine SEZ to DTA transactions such as repair, testing, calibration, minor job work, impossible on ICEGATE. None is using these modules at present.
5. Long pending deficiencies like SEZ to Bonded Warehouse and vice versa, SEZ to EOU , EOU to SEZ, advance filing of BE, joint filing of BE, proper debiting/crediting of BLUT bond, CHA enabling, etc. are still pending.

Units are questioning the purpose of shifting from SEZ Online to ICEGATE. Ease of Doing business has gone down drastically. SEZ Units have to deploy extra manpower for filing shipping Bills. ICEGATE is complex, non user-friendly, and not properly tested. It has been implemented without planning, training and testing in proper SEZ environment.

Keeping in view the current status, difficulties being faced by the units and in the interest of Ease of Doing Business

- (i) we should not shift from SEZ Online to ICEGATE at all, OR
- (ii) we may just do physical export and import transactions only through ICEGATE. SEZ to DTA and DTA to SEZ transactions may continue on SEZ Online, OR
- (iii) ICEGATE should be developed properly taking care of all transactions of SEZ Units, rather than in piecemeal fashion , as is being done now, and professionally tested and implemented first in a controlled environment - say one small zone, and then implemented across all SEZs.

In any case , SEZ Online should be continued, till ICEGATE is developed and tested properly, taking care of all transactions of SEZ Units, and units are trained in the use of software. Rather than piecemeal extension since 1.7.2024 creating uncertainties and rollout of modules/facilities one by one without the knowledge of SEZ units, SEZ Online may be continued till 31.12.2024 if not till 31.3.2024 and ICEGATE in SEZ should be implemented in the new financial year 2024-25 only.

With regards,

(Alok Chaturvedi)

Difficulties in ICEGATE Roll-out in Special Economic Zones

Priority	Module	Difficulty
1	Shipping Bill (exports)	<ol style="list-style-type: none"> 1. The document filing process on ICEGATE is excessively lengthy and time-consuming. Each document—such as invoices, packing lists, and COAs—requires digital signing, followed by uploading to the relevant form on ICEGATE. 2. Then, each document must be uploaded again to obtain the Image Reference Number (IRN), which has to be manually entered during the final filing process for shipping bills or bills of entry. 3. There are countless new fields in ICEGATE that weren't needed on SEZ Online, which adds unnecessary complexity. 4. Once documents are submitted, the process relies heavily on email communication from ICEGATE, which often takes 2-4 hours. Each step, such as assessment and LEO, is communicated via email, significantly slowing down the process. 5. Both the unit and customs officers need to review the documents from different roles repeatedly. 6. It would be beneficial to have real-time tracking that includes the role and office name to streamline approvals. 7. Additionally, documents often remain in the RMS system without clear resolution steps. 8. The process for amendments and cancellations also needs improvement.
1.1	Shipping Bill (exports)	<p>ICEGATE is unstable, slow, sometime down. There are unpredictable delays at each stage.</p> <ol style="list-style-type: none"> 1. SB No not generated immediately after filing documents. 2. Unavailability of SB to SEZ port officer for assessment as it flows via RMS. 3. Availability of PDF copies of LEO , ETP (Export Transfer Permit) and e-Gate pass resulting in delayed release of cargo from SEZ and difficult to schedule vessels. 4. e Sanchit not working, difficult to file documents
1.2	Shipping Bill (exports)	<p>Most of the units are still to get RoDTEP benefits</p> <ol style="list-style-type: none"> 1. RoDTEP process is not automatic. Complex proedure 2. Facility of Linking of EGM with SBs not available/enabled at many ports
1.3	Shipping Bill (exports)	<p>In ICEGATE module, each & every shipments is going in examination mode (RMS System shown, please examine the package no. so & so numbers). It is not possible to unload Hards & Heavy-weight goods at Customs-Gate for examination purpose and open the package for examination & re-pack the goods after examination at Customs-Gate. These goods were packed & labelled as per buyer's requirements. These goods were loaded at SEZ Units situated about 1-2 KM from Customs-Gate area and loaded in the containers or Vehicles in the SEZ Units half and hours before and now need to be off-loaded at the Customs-Gate for examination purpose. It impacts packaging of the goods and there are chances of damage to the goods.</p>

1.4	Shipping Bill (exports)	Difficulties in filing SBs of Merchant Exports shipments (Third Party Export). There should be facility of filing without AD CODE for Merchant Exports(Third party exports) shipments. No facility to file SB as merchant export as per rule 46(11)
1.5	Shipping Bill (exports)	No facility to file provisional SB
1.6	Shipping Bill (exports)	No port of loading (Sea port) is appearing on the shipping bill.
1.7	Shipping Bill (exports)	For Break Bulk Cargo Module Shipment, we are not able to file SB since the IGM & EGM for vessel entry not enabled for our SEZ Port Cde INTLT6
1.8	Shipping Bill (exports)	There is no option for exhibition and personal baggage related export shipment.
1.9	Shipping Bill (exports)	DIFFICULTIES ON DECLARATION OF PACKAGES, WHILE EXPORTING SPARE PARTS
1.91	Shipping Bill (exports)	Child User not working properly as there is no option of multiple DSC registration. If we use other person DSC, error comes that it is not a registered DSC with Icegate.
1.92	Shipping Bill (exports)	Net Weight of cargo & Invoice Value in INR not appearing in Generated Shipping bill.
1.93	Shipping Bill (exports)	1. At the time of ETP process and approval by custom, the bond is debited but thereafter it is not credited. Due to this, now less bond value is being shown. Hence custom officer is not able to approve it 2. PROCESS NOT CLEAR FOR CREDITING LUT BOND AMOUNT.
1.94	Shipping Bill (exports)	When we use CHA CB Code, then Shipping bill copy is not going to them for the purpose of custom clearance purpose . If this option is opted in Icegate then it will be very helpful for every Exporter.
1.95	Shipping Bill (exports)	Sez icegate not transmitting BOE to EPDMS / IPDMS. result Bank not getting to retrieve less than 7 digit BOE NO / SB NO
2.1	Imports (Z type)	Many have not yet started using the facility
2.2	Imports (Z type)	Not having the facility of Joint filing of BE
2.3	Imports (Z type)	Still no options for Warehouse BOE in which the cargo lifted from bonded warehouse (ex Bond BOE not available)
2.4	Imports (Z type)	no option of courier mode/exhibition and personal baggage related shipment. Gold bars through personal baggage (hand carry) not available Courier mode bill of entry filling option is not available
2.5	Imports (Z type)	No facility of advance BE filing for break bulk/bulk cargo. Due to this we are paying demurrage and detention. ICEGATE BOE filing is allowed only based on the IRN. We need to file prior bill of entry to complete documentation in advance for the vessel to berth, whereas inward entry happens only after berthing of the vessel. We need to file prior entry bills of entry, as was done earlier to avoid delay in berthing of vessel.
2.6	Imports (Z type)	Authorized representative detail missing in BOE form of ICEGATE hence CHA is not able to clear consignment from port.
2.7	Imports (Z type)	Without IGM we cannot file the Import Bill of Entry and if we file after IGM, we will have to bear huge demurrage cost due to delay in assessment (SEZ Customs is not working 24x7).
2.8	Imports (Z type)	Port officer ID not linked with System for BOE process.

2.9	Imports (Z type)	Systems is not allowing to file BOE for USD transaction as there is a error reflecting with error code 836, due to which we are unable to file DTA BOE for Zone to Zone.
2.91	Imports (Z type)	There is Anti dumping duty error.
3.1	FTWZ Import (Z type)	<ol style="list-style-type: none"> 1. We are unable to file Inbound BOE once IGM Number is getting generated. We have to hold till Inward date, hence we are paying the port ground rent and Storage charges. 2. All the BOEs need to be released by SO for assessment followed by TP process, which leads delay for cargo movement from the desired Port to FTWZ. 3. Due to system issue customs officers are unable to arrange the OOC on time, which leads vehicle detention too. 4. SO's involvement / approval is required multiple time as compared to NSDL portal. This leads delay for filling the BOE as well as for OOC too.
3.2	FTWZ Import (Z type)	No, there is no option to file jointly in DTAP and being a FTWZ unit all out Inbounds are on behalf of our Client as SEZ Rule 18(5) of SEZ Rules 2006. We will unable to file any DTAP until its clarifies.
4.1	SEZ to DTA (T or M type Bills)	Many units are not doing yet because of the complexities/difficulties
4.2	SEZ to DTA (T or M type Bills)	Requirement of IEC for DTA clearance is prohibiting. PAN should also be allowed. They should not be asked to ge themselves registered on ICEGATE
4.3	SEZ to DTA (T or M type Bills)	Once duty payment challan is generated, no time is given for payment for the applicable duty .It is to be paid else interest amount has to be paid. Many a times ICEGATE is not available for duty payment and DTA unit is required to pay interest. At least 1-2 days time be given for duty payment
4.4	SEZ to DTA (T or M type Bills)	M Type bill of entries PGA clearance is mandatory i.e FSSAI, AQCS. The same must be excluded in domestic transactions. These Agencies are monitoring transactions when import will take place M Type Bill of Entry is asking for NOC at the time of clearance and Bill of Entry details is not showing details at CDSCO and FSSAI for issuing NOC.
4.5	SEZ to DTA (T or M type Bills)	By-product, odd qty. bill of entry not possible in advance. We have to wait till goods loaded in truck/tanker, and once qty is finalised, we are able to file BE. BE require for goods loaded qty. Hence it is very difficult to do DTA sales transaction on ICEGATE. If we file BE for more qty, in case of short supply, we have to bear duty loss.
4.6	SEZ to DTA (T or M type Bills)	USD Invoices is not allowed to file in DTA M type
4.6	SEZ to DTA (T or M type Bills)	We are not able to file bill of entry using advance authorization. The system is not allowing as our advance authorization is having sufficient value and quantities, and therefore the system is showing error as less FC value.
4.7	SEZ to DTA (T or M type Bills)	We have 40-50 DTA shipment daily and in ICEGATE we are getting appraised BOE after 2-3 hrs of appraisement. So it is very difficult to use the module
5.1	DTA to SEZ (DTA procurement Requests/Forms)	Many units are not doing yet because of the complexities/difficulties

5.2	DTA to SEZ (DTA procurement Requests/Forms)	In NSDL portal once we filled DTA procurement certificate, it is routed with Authorised officer assigned to the UNIT, but in ICEGATE these request are going with different officer, who is not assigned to our unit.
5.3	DTA to SEZ (DTA procurement Requests/Forms)	There is no option to save in draft mode and the number is not generated for DTAP which is leading to confusion as to whether we have filed the DTAP or not is difficult to trace There is no proper report download option through PDF or Excel for Pending & Approved transactions.
5.4	DTA to SEZ FTWZ (DTA procurement Requests/Forms)	There is no option to file jointly in DTAP and being a FTWZ unit all out Inbounds are on behalf of our Client as SEZ Rule 18(5) of SEZ Rules 2006. We will be unable to file any DTAP until it is clarified.
5.5	DTA to SEZ (DTA procurement Requests/Forms)	Facing issues of EDPMS not reflecting in RBI portal
5.6	DTA to SEZ (DTA procurement Requests/Forms)	DTA procurement form is not properly designed. Also, there is no system to get the acknowledgement number after submission of DTA to track the same. After endorsement of DTA form from customs office, there must be a provision to get the endorsement copy from Icegate to share the same to the supplier.
5.7	DTA to SEZ (DTA procurement Requests/Forms)	Monthly 400 dta procurements and in ICEGATE it is rejecting 30% of unit names saying not matching with pan. Where as i can see in gst.Gov. in legal name and trade name correct as per pan. No procedure for rejection material sending out.
5.8	DTA to SEZ (DTA procurement Requests/Forms)	<ol style="list-style-type: none"> 1. While procuring material in large quantity like 5000 to 10000 mts of M N Ore, Coal or coke, truck wise invoice will be issued, 100 to 150 vehicles will be continuously loaded and reached to plant. In this case we are not able to submit the DTA Procurement details in ICEGATE. Because without submitting the complete details ID will not be created. And it is not possible to submit the truck wise DTA Procurement ID, since the volume is more and vehicles will be more than 100. Previously in SEZ Online portal we had the facility of adding more invoice numbers and item details after completion of entire quantity. 2. We procure Diesel from HPCL against ARE-1 form for authorised operations.since Diesel has been kept out of the purview of the GST what should we select in the dropdown box while entering DTA Procurement details in ICEGATE. The options are i. Supply under bond/ LUT, ii. Supply under payment of IGST. Cannot select any of these two options. 3. Not able to submit the DTA Procurement details from child user. Not able to enter and save the details in drafts also. Entire work is to be done by main DSC. It is time consuming. If there is a facility to work with Child login also. It will be benefited to most of the units. 4. Not able to get the print form of customs approved DTA Procurement form. We have to provide the same to our suppliers. In SEZ online we used to get it and Unit approver name and customs approver name also mentioned on that sheet. Whereas in ICEGATE no such facility is available.
5.9	DTA to SEZ (DTA procurement Requests/Forms)	Form getting invisible after approval from officer and no out of charge download option available on portal

5.91	DTA to SEZ (DTA procurement Requests/Forms	when we entered the GST no of the supplier, the details of the supplier are not auto populating, the detail of the vendor is manually entering it also delay for our activities, sometimes entry are duplicating with different numbers, if we generated a bill for the particular supplier, it is creating duplicate entries. There is no system is developed for entering the ARE-I bills.
5.92	DTA to SEZ (DTA procurement Requests/Forms	We tried Web forms, and it is not user friendly, and it is taking lot of time in completing one document. In a month we are having more than 5000 documents, and it is very tedious process to go in Icegate
6.1	Jobbing/Repairing/ Destruction/Exhibition/ testing	ICEGATE procedures have introduced complexities that significantly impact operational efficiency. In our manufacturing unit, we frequently handle small-scale repair jobs, and the new process has made these routine tasks considerably challenging. To streamline this process and minimize disruptions, we propose the introduction of a simplified request form similar to the one used in NSDL. Such a form would greatly enhance our ability to manage these transactions more efficiently, reducing both time and administrative burden. We are sending our materials in SEZ online for calibration, repairs, through free forms and temporary removals on easily, now in the ICEGATE it is very difficult to send the material for calibration / repair, there is a duplication of work, and it is creating very complex to get in and out. hence requested to create a simple procedures like free forms for calibration.
6.2	Jobbing/Repairing/ Destruction/Exhibition/ testing	If we want to send any motor or machinery to a small technician, he also needs IEC code. IEC Code for Temporary Removal is difficult task. Most of the repair shops are very small units, they do not even have GSTIN also. In such case how come its possible to get iEC code to file Temporary removal. In a month we are having more than 500 transactions,
7.1	General	No form available for Bond BOE, EOU To SEZ, TRC, DSPF. INWARD AND OUTWARD ENTRIES FOR INTRA SEZ, APR, DSPF missing
7.2	General	1. Self seal option/Permission of courier mode option/enabling self sealing option (Export). 2. DTA-TR for repairing/DTA service procurement (Service Bill). 3. Involvement of FICCI option in personal baggage.
7.3	General	ADVANCE DUTY WALLET is not there

IMPORTANT CIRCULAR

No. J-16/3/2007-SEZ Vol-V
Government of India
Ministry of Commerce & Industry
Department of Commerce
SEZ Division

Vanijya Bhawan, New Delhi,
Dated: 16th October, 2024

To
The Development Commissioners
All Special Economic Zones


Subject: - Implementation of ICEGATE at non-IT/ITES SEZs - Extension for continuance of SEZ Online - reg.

Sir / Madam,

I am directed to refer to this Department's letter of even number dated 29.06.2024, 13.07.2024, 10.08.2024 & 11.09.2024 on the subject mentioned above and to state that keeping in view of the issues received in Department of Commerce from various stakeholders regarding difficulties being faced by units, it has been decided to continue the filing of documents by the units on SEZ-Online also **till 10.12.2024**. The other conditions as laid vide letter dated 29.06.2024 and 13.07.2024 shall remain same.

2. It is also stated that **no further extension beyond 10.12.2024** will be granted. You are requested to inform all stakeholders accordingly.
3. This issues with the approval of Competent authority.

Your's faithfully,



(Sumit Kumar Sachan)

Under Secretary to the Govt. of India

Tel. 23039829

e-mail: sumit.sachan@nic.in

Copy to: -

1. Shri Vijay Gupta, VP, NSDL with request to take necessary action for allowing filing of documents in SEZ-Online portal, as above.
2. Pr. DG(Systems), CBIC / ADG (Systems), CBIC

IMPORTANT CIRCULAR

Instruction No.117

K-43022/24/2024-SEZ
Government of India/Bharat Sarkar
Ministry of Commerce and Industry/ Vanijya Aur Udyog Mantralaya
Department of Commerce/ Vanijya Vibhag
(SEZ Section)

Vanijya Bhawan, New Delhi
Dated the 24th September, 2024

To,
The Development Commissioners of all SEZs

Subject: Guidelines for Operational Framework of FTWZ and Warehousing units in SEZ – Reg.

Madam/Sir,

I am directed to refer to the above mentioned subject and to state that Department of Commerce had constituted a committee under the chairmanship of the then Development Commissioner (DC), GIFT SEZ to review the operational framework of FTWZs and warehousing units. The report submitted by the Committee has been examined in detail and following is conveyed for strict compliance:

- i. There should be due diligence in verifying the credentials including KYC norms of the applicant entities for setting up of FTWZ/Warehousing zones / units as well as the clients of such units. Aadhaar based authentication for Indians and Passport based authentication for foreign clients are to be considered. The Income tax return for the last three years in respect of the proprietor/Partners/Director/s or audited balance sheets for the last three years in case of Limited Company/Private Limited Company should be part of KYC.
- ii. Development Commissioner (DC) to ensure that warehousing units should furnish the specified KYC details of their clients to the DC office before commencing first transaction by that client.
- iii. All the facilities of the FTWZs must be under CCTV surveillance with storage of data for at least one year. The DC and his authorised representatives are to have access the CCTV footage at any point of time.
- iv. The warehousing units must have a tamper-proof ERP/SAP system and no FTWZ/Warehousing Unit should be allowed without such system. DC and his authorised representatives should access to view the system and also seek specific reports from this system. DC and his authorised representatives are to periodically inspect/check the Warehousing Units based on risk assessment.
- v. All the DCs shall ensure that manual entries/processing of Customs clearances is strictly prohibited and responsibility should be fixed on any officer violating the same. Further, it is noted that SEZ-Online and ICEGATE are already interlinked for trans-shipment for requisite cargo movements. Accordingly, it is mandatory on both sides to enable cargo clearance only through designated modules. Further, the Customs officers are to be instructed to access NIDB regularly while assessing cargo to ensure that the scope for over/under valuation is mitigated.



1/2

Replika Press Wins Prestigious Awards: EPCES Congratulates Shri Bhuvnesh Seth, MD Replika Press



As a proud member of EPCES, Replika Press has been honored with two prestigious awards—

Export Company of the Year and Book Printer of the Year (Specialty & Trade). This recognition underscores the company's exceptional contribution to the global publishing industry, producing an impressive 32 million books annually and serving clients across five continents.

These awards highlight Replika Press's commitment to quality, timely delivery, and excellence in the printing and publishing sector.

The company's reputation as a trusted partner for international publishers is well-earned, and EPCES congratulates Shri Bhuvnesh Seth and his team for their remarkable achievement in the global market.



Cochin SEZ

Farewell to Mr. Natarajan, ADC

Mr. Natarajan, Assistant Development Commissioner was retiring from the services of CSEZ.



Mr. Natarajan addressing the attendees

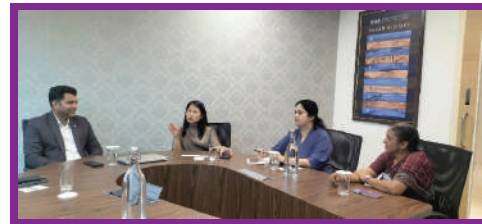


Regional Chairman handing over memento to Mr. Natarajan, ADC.

EPCES along with CEPZIA had organised a farewell programme at RECCAA Club. Chairman and unit representatives present had appreciated the sincere services rendered by him. Chairman honoured him with a memento. Mr. Natarajan thanked EPCES for its support during his tenure as Assistant Development Commissioner.

Meeting with Thai Consulate Officials

Thai Consulate officials, Ms. Sunchawee Pattanachak, Executive Director and Ms. Anjali Dwivedi visited Kerala on 19th August 2024 as a part of their business development with India. WTC along with EPCES and NASSCOM organised a meeting with the visiting officials. Meeting was attended by Mr. Vivek Mathai George, WTC, Mr. Sujith Unni, NASSCOM, Mr. Pradeep Rajan, Brigade Group were other delegates attended the meeting.



Thai Consulate is planning to organise a F&B fest in India - preferably at Bangalore. During the meeting, RD presented an outline on the role of EPCES to improve the export share of SEZs and EOUs from India. Detailed the organisation structure, its activities to support exporters through Governmental wings as well as in association with the other trade bodies. WTC as well as NASSCOM presented an overview of their activities. Ms. Sunchawee, Executive Director had informed that the purpose of her visit is to improve the business relationship with Indian companies. Other than food & beverage, they are exploring the opportunity to have collaboration in other sectors too. They are interested to co-operate with EPCES to have meetings with units. From the part of EPCES, RD assured all possible support.



Bangalore SEZ

EPCES and Ministry of Commerce Hold Stakeholders Meeting in Bangalore



View from the meeting

EPCES, in collaboration with the Ministry of Commerce and the Cochin Special Economic Zone (CSEZ), organized a physical interactive stakeholders meeting titled "India's IT Landscape - Growth, Challenges, and Policy Implications" on October 4, 2024, at the Hotel Lalit Ashok, Bangalore. The meeting was presided over by Shri Sunil Barthwal, IAS, Secretary of Commerce.



The meeting saw participation from various stakeholders, including:

- Officials from the Ministry of Commerce, New Delhi
- Officials from CSEZ, Cochin, and Bangalore
- EPCES members from the IT/ITES and EOU sectors
- Representatives from NASSCOM

During the discussion, stakeholders raised several key issues, including:

- Impact of labor laws on SEZs
- Inadequate infrastructure at the KIADB Aerospace SEZ, Bangalore
- The need for reduction in paperwork related to SEZ compliance requirements and increased digitalization
- Delays in obtaining approvals from state authorities
- Provisions for EOUs to undertake job work

To address these issues, the Secretary of Commerce instructed the Deputy Commissioner of CSEZ and the Additional Secretary of Commerce to summarize the concerns and provide suggestions based on stakeholder consultations.

Additionally, the Secretary of Commerce assured that the technical issues related to the migration of SEZs to ICEGATE and the onboarding of EOUs under the IGCR will be resolved promptly.

The Deputy Commissioner of CSEZ expressed gratitude to all participants and specifically thanked EPCES for its support in organizing the event.

The event was made successful with the participation of the JDC and staff from CSEZ Bangalore,

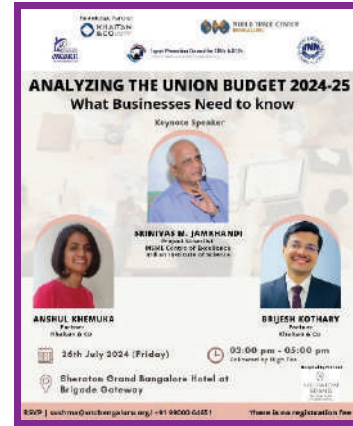
Key Takeaways from the Union Budget 2024-25: Insights for SEZs and EOUs

EPCES, along with World Trade Centre (WTC) SEZ Bengaluru, AWAKE, IIMM, and Khaitan & Co., organized a seminar titled Analyzing the Union Budget 2024-25: What Businesses Need to Know “on July 26, 2024, in Bangalore. Key speakers included Mr. Brijesh Kothary (Indirect Tax Expert, Khaitan & Co.), Ms. Anshul Khemuka (Direct Tax Disputes Advisor, Khaitan & Co.), and Dr. Srinivas M. Jamkhandi (Project Scientist, Indian Institute of Science). The event was moderated by Mr. Vivek George, RGC Member and Head of WTC Bengaluru, Cochin, and Chennai Attendees, including EPCES members from SEZs and EOUs, benefitted from detailed insights into the Union Budget.

Some of the major highlights were:

- Tax relief for salaried employees: The standard deduction increased from ₹50,000 to ₹75,000.
- Private sector National Pension System (NPS) contributions: The deduction limit rose from 10% to 14%.
- Foreign company tax reduction: Tax rate reduced from 40% to 35%.
- Capital gains taxation changes: Long-term capital gains will now be taxed at 12.5%.

The event concluded with discussions on direct and indirect tax proposals, offering businesses crucial updates to better plan for the year ahead.



C SEZ

Webinar on “SOFTEX FILING—Its Compliance & Expert Insights” Held on 14th September 2023

On 14th September 2023, EPCES CSEZ Bangalore, with support from the World Trade Centres of Bangalore, Cochin, and Chennai, in association with BDO India, Hyderabad & Pune, organized a webinar titled “SOFTEX FILING—Its Compliance & Expert Insights.” The event, designed for the benefit of EPCES members, provided a comprehensive overview of Softex filing and its compliance requirements.



NEWS FROM THE ZONES



The webinar was inaugurated by Sri K K Pillai, Regional Chairman (Officiating) of CSEZ-EPCES, Cochin, while Sri Vivek George, Head of WTC Bangalore, moderated the event. The session featured expert insights from Sri Karthik Mani, an Indirect Tax Expert from BDO India, who shared detailed guidance on the importance, process, and compliance aspects of SOFTTEX filing. The SOFTTEX form is crucial for certifying the export value of software, a mandatory requirement for companies engaged in software exports. The speaker elaborated on the timelines, compliance procedures, and potential penalties for non-compliance under the Foreign Exchange Management Act (FEMA) 2015. The session was highly interactive, with 360 participants, many of

whom clarified their doubts, leaving with a clearer understanding of the filing process. Shri C U Poovaiah, Regional Director, EPCES-CSEZ Bangalore, thanked all the participants and speakers for their valuable contributions to the success of the webinar.

Madras Export Processing Zone (MEPZ) SEZ

Conference on Robust Export Landscape and Trade Finance Opportunities Held on July 19th, 2024

On July 19th, 2024, EPCES and the Associated Chambers of Commerce and Industry of India (ASSOCHAM) Southern Region hosted an impactful conference titled "Robust Export Landscape and Trade Finance Opportunities for Inclusive and Sustainable Growth." The event took place at the Thiruvalluvar Auditorium, Tamil Nadu Open University, in Chennai.

The Chief Guest, Thiru Thangam Thennarasu, Hon'ble Minister for Finance and Human Resources Management, Government of Tamil Nadu, inaugurated the conference, emphasizing the significance of trade finance in driving sustainable export growth.

The conference aimed to empower industry representatives and stakeholders in Tamil Nadu with essential knowledge on trade finance solutions. Attendees had the unique opportunity to enhance their financial literacy, understanding various trade finance instruments and their applications in the export sector.

NEWS FROM THE ZONES

Key highlights of the conference included:

- **Networking Opportunities:** Participants connected with exporters, trade associations, and leading financial institutions, fostering valuable business relationships.
- **Panel Discussions:** Engaging discussions featured industry experts and dignitaries who shared insights into innovative solutions to bridge the trade finance gap.
- **Targeted Audience:** The conference attracted a focused audience, including MSME and established exporters, manufacturers, financial institutions, government representatives, and sustainability experts.

Prominent partners such as EXIM Bank, SBI, Karur Vysya Bank, and NSE Ltd contributed to the event's success, alongside several industry associations and chambers of commerce.

Overall, the conference provided a vital platform for knowledge sharing and networking, empowering attendees to leverage trade finance opportunities and propel their export businesses forward.

Noida SEZ

Activities undertaken during July 2024 Workshop

- i) EPCES Head office and EPCES Noida Regional office jointly arranged an Outreach program on Recent Developments in Customs & SEZ rules on 31st July 2024 at Jaipur at Hotel Intercontinental Tonk Road Jaipur. 109 participants from Sitapura SEZ and Mahindra world City participated in the event. DC Customs was the chief guest in the event. Also officials from RIICO, Sitapura Gem and Jewellery Industries Association, officials from International Post Office, officials from Mahindra SEZ and Regional Chairman Shri Sunil Puri participated in the event. RD NSEZ and DDG EPCES also participated in the event at Jaipur. The event was quite successful and was appreciated by the participants.



NEWS FROM THE ZONES

Activities undertaken during August 2024

- i) On the request of Director General EPCES, DC Office, NSEZ organised a training programme on 7th August 2024 at Jaipur in the premises of GJEPCE for bill of entry/shipping bill etc. filing on ICEGATE. Participants from units situated at Sitapura SEZ participated in the programme. Mr Shiv Ratan and Mr Bhuvanesh P.O. from NSEZ customs gave a physical Training on Shipping bill filing, filing of bill of entry and filing of DTA documents on ICEGATE .EPCES Noida region arranged the participants from Sitapura SEZ and Mahindra SEZ Jaipur.
- ii) EPCES Head office and EPCES Noida Regional Office jointly arranged a training Programme on IMEXIO NSDL software and Hans Informatic software for filing Shipping bill, bill of entry and DTA documents on ICEGATE) on 9th August 2024 at Hotel Grand Maple at Sitapura Jaipur. 65 participants participated in the training Programme. The event was appreciated by the units. Ms Tresa from NSDL and Mr Harish from Hans Informatic gave their presentations on the subject. Mr Jaideep Secretary of Sitapura Gems and Jewellery Industry Association Chaired the event and appreciated the efforts of EPCES.



NEWS FROM THE ZONES

- iii) Shri Jitin Prasada, Hon'ble Minister of State for Commerce and Industry visited Noida Special Economic Zone DC Office on 17.08.2024 (Saturday) The Minister was welcomed by Shri Bipin Menon DC NSEZ , JDC NSEZ and other officials of DC NSEZ office. From the EPCES SEZ DC office Shri Sunil Puri, Regional Chairman EPCES, Shri Vilas Gupta CGC Member EPCES and Shri Jasbeer Singh RGC Member EPCES welcomed the minister and offered Memento and Bouquets to the minister. About 25 Companies of NSEZ attended the meeting with the minister. Shri S K Gupta MD of M/s. Artha Infrastructure Pvt Ltd (Developer) also attended the meeting...



Activities undertaken during September 2024

- i) EPCES Head office and EPCES Noida Regional Office in association with the Development Commissioner, Indore SEZ organized a knowledge session for Capacity Building of SEZ exporters for ICEGATE Filing of Shipping bills, Bill of entry and DTA documents on 5th September, 2024 (Thursday) at Indore SEZ DC office. The session was presented/delivered by software providers Hans Informatic Pvt. Ltd. The objective of the program is to facilitate SEZ units in smooth filing of documents on ICEGATE portal for the benefits of the trade and industry.
- ii) A Webinar session on IGCR for EOU users organised by DG System on September 9th 2024 Monday at 3:00 to 4:00 PM, EPCES Noida arranged participants and also joined the Webinar.

It may please noted that an outreach programme on Trade Finance and recent developments in Customs SEZ Rules shall be organised at Sherton Grand Hotel at Indore in Association with DC office Indore SEZ. The report and photographs of the same shall be sent after the event.



Noida SEZ

Virtual meeting on “ICEGATE Rollout in SEZs” organised by EPCES VSEZ

A Zoom meeting on filing Bill of Entries and Shipping Bills on IMEXIO, as well as submitting on ICEGATE and addressing related issues, was organized by the Regional Office of EPCES-VSEZ in association with NSDL on July 26, 2024, at 3 PM. Over 100 participants from the SEZ community attended the session online. The event commenced with a welcome address by the Regional Chairman of EPCES, Mr. Nilesh Jani, who expressed gratitude to the Director General of EPCES for organizing the session in collaboration with NSDL, emphasizing its importance for the SEZ community. Mr. Sreeroup, Manager at NSDL, provided a comprehensive demonstration on filing bills on ICEGATE, followed by a Q&A session. The meeting concluded with a vote of thanks by Mr. Chapa Sekhar, Regional Director, VSEZ.

The screenshot displays the IMEXIO Bill of Entry Form interface. The top header includes the NSDL Database Management Limited logo and the IMEXIO title. The user is logged in as Anil Tarwade on July 26, 2024. The form is titled "Bill of Entry Form" and contains the following fields and sections:

- Job Information:** Job No (IMP/20240710/0005107), Job Date (10/07/2024), ICEGATE User ID (TOJIVIMP), BE Number, BE Date, and Custom House (INABG1 - Ailbag).
- Summary:** Total duty amount Rs.949.00 Overall duty rate 13.66 %.
- Navigation Tabs:** BOE Details, Shipment Details, Invoice Details, Item Details, Item Duty Details, Single Window, ESanchit, Declaration, Amend.
- BOE DETAILS:** (All fields marked with * are mandatory)
 - BOE Type: SEZ Trading
 - Importer Details: Importer Name (TEKNO VALVES), Branch Sr. No. (345), Importer Address (PLOT No. 21/1-2, 3GIDC, HANUSAR SAVALI).
 - IE Code: 0200005754
 - Registration Type: GSTIN
 - Registration No.: 19AABFT5828J1ZS
 - Importer Type: P - Private
 - CHA Code: SELF (checked)
- Warehouse Details:** Warehouse Code (123456), Warehouse Custom site ID (INABG1 - Ailbag).
- DTA Sales Goods Release Details:** Warehouse SF No. (123478), Warehousing Date (01/07/2024).

■ Status of Key Pending Issue

As on 15.10.2024

1. Rollout of ICEGATE in SEZs

Government has extended RoDTEP to SEZs and EOUs vide notification No 70/2023 dated 8.3.2024. In case of SEZs, the scheme will be effective on IT integration of SEZs with ICEGATE. It is important that there is a smooth transition from SEZ Online to ICEGATE. The rollout started from 1.7.2024. However, there have been huge problems being faced by the units in using ICEGATE module. Units are yet to get RoDTEP benefits. EPCES has shared the concerns of the members with DG Systems (ICEGATE), CBIC and D/o Commerce (copy of key problems attached). It has been decided to have parallel operation of SEZ Online and ICEGATE till 10.12.2024. DG EPCES had a meeting with Additional Secretary and Joint Secretary, D/o Commerce on regarding the way ahead. It has been planned that a team will visit the NSEZ and try to plug main pain points in filing documents and clearance of consignments regarding Export, Import and DTA supplies.

2. IGCR automation in EOUs

CBIC vide their circular No 11/2024 –Cus dated 25.8.2024 informed that it has been decided to implement the automation in the IGCRS Rules, 2022, in respect of EOUs with effect from 1.9.2024 (Sunday). Accordingly, all EOUs were asked to obtain IGCR Identification Number (IIN) at ICEGATE portal by registering immediately. Considering the difficulties involved in the process for EOUs on boarding the new IGCR system, EPCES took up immediately with CBIC/ DoR and ensured that training sessions were held immediately on registration and conversion of old EOU bonds to new IGCR Bond, and the implementation was postponed first to 17.9.2024 and later to 25.9.2024. On the request of EPCES, a dedicated whatsapp group “EOUs Onboarding IGCR” has been

formed for handholding EOUs in his transition. There are about 800 members including officers from CBIC and ICEGATE for resolving problems being faced by EOUs.

3. Status of amendment in SEZ Act/DESH Bill

It appears that SEZ Act amendment for key reforms is no longer on Government agenda. There is some discussion on exemption of customs duty on value addition in SEZs on DTA clearances.

4. Improving EODB - Streamlining endorsement of DTA invoices by SEZ SO/AO (In progress)

a. Need for some sample/risk based rather than 100% invoices examination

100% examination of DTA invoices for endorsement by SOs/AOs creates heavy workload per AO/SOs leading to huge delays. Since 100% examination is there, SOs/AOs ask for physical copies of related documents for their satisfaction of such DTA supplies before they endorse the invoices. This creates another problem. There should be uniform guidelines for some risk based sample (5-10%) examination of DTA invoices and endorsement of other invoices on self-certification basis to reduce time.

b. Online instead of physical endorsement

There should be online endorsement of DTA invoices by the AO/SOs which should be acceptable by GST authorities so that DTA suppliers are able to get the due refund. API based integration of SEZ Online with GSTN SEZ should also be completed at the earliest.

5. Difficulty in implementation of Instruction No 117 dated 24.9.2024 regarding new FTWZ Operational Framework

DoC, vide Instruction No 117 dated 24.9.2024, has issued guidelines for Operational

Framework of FTWZ and Warehousing units in SEZs. It has been provided that the units should have a temper-proof ERP/SAP system and the transfer of goods from one FTWZ to another FTWZ should not be allowed except in specific and exceptional cases after consideration by the UAC. FTWZs/Units have represented about the cost implication of these guidelines and that restrictions on FTWZ to FTWZ transfer to be in violation of the SEZ Rules. EPCES has requested to have a meeting with all stakeholders to address the concerns of the FTWZ / FTWZ Units.

6. Permitting IT/ITES developers for installation of Roof Top Solar Power plants as part of infrastructure/authorised operations for providing electricity in common areas.

Vide Instructions No 116, the Development Commissioners have been requested to consider such requests from Developers/ Co-developers in terms of Para 1(i) of the DoC Power Guidelines dated 16.02.2016. However, there is still some lack of clarity in DC offices about declaring rooftops as Non processing area.

7. Minor amendments in new SEZ Rule 11B - Only proportionate duty benefits to be returned

Minor Changes in Rule 11B for IT/ITES SEZs should be carried out so that only proportionate duty benefits under Rule 11B (5(ii)) are to be returned for social and commercial infrastructure and no tax benefits under Rule 11B (9) should be ensured only on O&M of proportional common infrastructure and facilities.

8. Exemptions to EOUs from the DGFT Notification No 17/2024-25 dated 11.6.2024 and Notification No 19 dated 12.07.2023

A clarification needs to be issued that in view of FTP Para 6.01(d)(i), import made by EOUs under the HS Code 71131912/3/4/5

and 71131960 are outside the purview of Notification no 17/2024-25 dated 11.6.2024 and imports made by EOUs under the HS code 71131911, 71131919 and 71141910 are outside the purview of Notification No 19 dated 12.07.2023.

9. Modification in DGFT Notification 71/2023 dated 11.3.2024 for exemption from mandatory Quality Control Orders/BIS for supply by SEZs/ EOUs to DTA exporters

DGFT has issued notification No 71/2023-24 dated 11.3.2024 making enabling provisions in the FTP 2023. However, EPCES has received representations from SEZ units which are importing /manufacturing goods (covered by QCOs) and supplying to MSME DTA exporters for manufacturing of export products. It was requested that DGFT Notification 71/2023 dated 11.3.2024 may be slightly amended to allow exemption from QCO for DTA clearance of such imported inputs by SEZ unit to DTA exporters with proper undertakings and documentation.

10. Duty free import of electrical items by exporters (handicraft/MSME sector)

EPCES has taken up with Dept for Promotion of Industry and Internal Trade that D/o Revenue/ CBIC to be requested to add the electrical items in the list of Customs notification no. 02/2022 dated 1st February, 2022 for duty free import by bona-fide exporters. A Meeting was taken by the Joint Secretary on 8.10.2024 in this regard with all stakeholders and some inputs have been sought.

Members Queries Answered (July-Sept. '24)

S. No.	Query from Member	Response by Grant Thornton
1	Please guide on the differences between filing a Bill of Entry for Home Consumption (SEZ to DTA Unit) and for Deemed Exports (Other NFE Supplies) under the specified rule.	Filing a Bill of Entry for Home Consumption (SEZ to DTA Unit) and for Deemed Exports involves different procedures and requirements. However, the main difference between the two BOEs is that supplies from an SEZ to a DTA unit are not counted in the Net Foreign Exchange (NFE) calculation, while supplies classified as deemed exports, such as those to EOUs or other notified entities, are counted in the NFE calculation. Deemed exports are treated similarly to physical exports for NFE purposes.
2	We are manufacturing readymade garments. We need to return raw materials (lining/pocketing/packing) due to quality issues. The supplier has agreed to take back the goods. Please advise on returning these goods under SEZ Rules, 2006 for the following cases: Purchased on LUT from a DTA supplier. Purchased on the Bill of Export from a DTA supplier (no drawback claimed). Imported on the Bill of Entry from outside India. Additionally, please guide us on the process to follow under the ICEGATE system.	"As per Rule 48(3) of SEZ Rules, 2006, "Where goods procured from Domestic Tariff Area by a Unit are supplied back to the Domestic Tariff Area, as it is or without substantial processing, such goods shall be treated as re-imported goods and shall be subject to such procedure and conditions as applicable in the case of normal re-import of goods from outside India. Provided that in the case where such goods are supplied back to the Domestic Tariff Area, as it is, and where the import duty on such goods is 'Nil'" and while procurement of such goods no export benefits were allowed against such goods, the Unit may be allowed to supply back such goods to Domestic Tariff Area on the basis of invoice only and filing of Bill of Entry in such cases shall not be required" We understand that the unit wants to transfer the raw materials to the DTA unit, hence as per above mentioned rule the same shall be considered as re-import of goods and will be cleared after filing of Bill of entry. Further, the proviso to said rule provides relaxation from filing of Bill of entry for those goods having Nil import duty. Accordingly, the Company needs to assess the applicable duty rate on said goods before such clearance. Further, the imported goods found defective may be returned to the original importer as per Rule 29 of SEZ Rules, 2006. Kindly refer to the recent ICEGATE manual for filing of documents on ICEGATE portal. "
3	"We are considering supplying goods from our domestic unit to a customer in Singapore, who wants the goods delivered to an FTWZ unit in India under a Bill to (Singapore) Ship to (FTWZ) model. Payment will be made in freely convertible currency. We believe this qualifies as a zero-rated supply and fulfills the export obligation under the EPCG scheme. We need advice on: 1. Where to report this transaction in GSTR-1 (Table 6A, 6B, or elsewhere)? 2. Whether this transaction will fulfill the export obligation under the EPCG scheme, given the payment terms."	"As per Section 16 of the IGST Act, 2017, supplies to SEZs are treated as zero-rated supplies. In this case, although the goods are not leaving the country to qualify as exports, they are being deposited in an FTWZ, which is considered equivalent to exports. 1. Such transactions should be reported in Table 6B of GSTR-1. 2. As per Para 5.11 of the HBP 2023, exports to SEZ/FTWZ units, regardless of the currency of realization, are counted towards fulfilling export obligations."
4	Is AD code mandatory to mention in zone to zone BOE, when the payment being made INR.	No, it is not mandatory to mention AD code on Zone to Zone BOE.

5	<p>"We plan to import consultancy services from a Russian consultant with payment terms in USD. Do we need to file this import on the SEZ online portal. If filing is required, which module should we use. If filing is not required, will including this figure in our tax projection during BLUT creation have any implications."</p>	<p>Import of services are not to be reported under any module on the SEZ online portal. Further, the same will be reported in the Annual Performance Report ('APR) and accordingly, would be adjusted with BLUT amount.</p>
6	<p>Does duty payback apply to service invoices under works contracts on a depreciated value basis when an SEZ unit opts for exit or refurbishment.</p>	<p>As per Rule 74/75 of SEZ Rules, 2006, duty is applicable on assets in stock at the time of exit for which duty benefits have been availed. Therefore, duty on service invoices does not need to be discharged upon exit.</p>
7	<p>We need to know if we are eligible for ITC credit on 5% GTA appearing in GSTR2B and, if so, from when. Additionally, we want to know if we are eligible for ITC credit if we paid 5% GTA on our own, and from when this eligibility applies.</p>	<p>"As per Notification No. 11/2017-Central Tax (Rate) dated 28th June 2017, a Goods Transport Agency (GTA) service provider has the option to discharge GST at the concessional rate of 5%. Alternatively, if the service provider does not opt for this, the recipient is liable to discharge GST at the rate of 5% under the reverse charge mechanism (RCM). In both scenarios, whether GST is paid by the GTA at 5% or by the recipient under RCM, the recipient is eligible to claim Input Tax Credit (ITC) on the GST paid for the GTA services received."</p>
8	<p>"We received an order from a USA customer for ATMs to be delivered to an SEZ unit in India. The payment will be made by the overseas buyer. The transaction details are: Bill to: Foreign Buyer Ship to: SEZ in India (Place of Supply) We need clarification on:</p> <ol style="list-style-type: none"> 1. Whether this transaction is covered under zero rated supply under GST rules. 2. The process for the SEZ unit to receive the goods." 	<p>"Section 16 of the IGST Act 2017 provides the benefit of zero-rated supplies exclusively for the following:</p> <ul style="list-style-type: none"> - Export of goods or services, or both. - Supply of goods or services, or both, for authorized operations to a SEZ developer or unit. <p>As per Section 2(5) of the IGST Act 2017, "export" is defined as taking goods out of India to a place outside India. In the current scenario, since the goods are not being moved outside India, they cannot be considered exports. Therefore, while goods can be supplied to an SEZ in India and billed to a foreign vendor, this does not qualify as an export of goods. Additionally, SEZ units are permitted to import goods from EOUs as per the provisions outlined in Rule 30(14) read with Rule 30(12) of the SEZ Rules, 2006."</p>
9	<p>We need guidance on temporarily transferring an Antenna Analyzer (valued at INR 25 lakhs) from a DTA unit for demonstration purposes. The goods will be returned within 30 days post-demo. Please provide the procedure for obtaining approval for this inward movement under the returnable mode and share the relevant SEZ rules and sections governing this process.</p>	<p>Goods may be brought into the SEZ unit using a delivery challan, accompanied by a request letter (capturing details of asset and days of possession of said asset) seeking permission from the Customs Officer for temporary procurement.</p>
10	<p>Can we take into account the previous bond balance as of September 12, 2024, when maintaining the bond register for our duty-free purchases. If this is not permissible, we will need to utilize the new BLUT Bond balance issued from September 13, 2024.</p>	<p>Once a new BLUT is filed, the previous one becomes irrelevant. The newly filed BLUT must be followed, and any unutilized balance from the previous BLUT cannot be used.</p>
11	<p>We are a unit operating from CSEZ. Is it possible for us to operate under MOOWR scheme also, mainly to cater to DTA market. If it is possible, can you briefly explain the procedure.</p>	<p>SEZ and MOOWR are two separate and independent operating scheme and governed by specific laws. SEZ unit cannot be converted into MOOWR. Alternatively you may consider setting up a separate unit under MOOWR outside the SEZ premises.</p>

<p>12</p>	<p>"We seek clarification regarding the invoice filing requirements under the DSPF Module of the SEZ Online Portal.</p> <ol style="list-style-type: none"> 1. Invoice Filing Requirements: Please confirm which types of invoices need to be filed in the SEZ online portal under DSPF: <ol style="list-style-type: none"> a. Invoices for transactions between DTA and SEZ b. Invoices for transactions between different SEZs c. Invoices for transactions within GIFT SEZ 2. Portal-Related Payments: Kindly clarify if any portal-related payments (SEZ Online / DGFT) should also be filed in DSPF. If so, please provide the rationale for this requirement. 3. Compliance Implications: We would like to understand the potential consequences of failing to file any invoice within the timeline specified in SEZ rules." 	<p>"Please find pointwise reply to your queries as below:</p> <ol style="list-style-type: none"> 1. The DSPF has been integrated into the SEZ Online System to streamline the recording, review, and approval of all service invoices for services obtained by SEZ Units/ Developers from DTA Suppliers as Zero Rated Supply for Authorized Operations. Although the DSPF manual refers to the supplier as DTA, it does not explicitly clarify whether services obtained from developers should also be reported in DSPF. In the absence of clear legal guidance, it is advisable to report all service invoices on which a tax benefit is availed. 2. Yes, since such services are included in the default list of services eligible for duty benefits. Therefore, any service on which a tax benefit is availed must be reported in DSPF. 3. As per Rule 30 of the SEZ Rules, DSPF invoices must be reported within 45 days from the date of the invoice. Failure to adhere to this timeline may result in the jurisdictional officer disallowing the tax benefit."
<p>13</p>	<p>"We are debiting 25% Foregone Duty on machines purchased in Bond, with some machines now obsolete since duty was debited in 2006. We need guidance on:</p> <ol style="list-style-type: none"> 1. How to take credit for duty debited on obsolete machines. 2. Any circulars specifying duty credit for imported machines after a certain number of years. 3. Post-GST implementation, whether we can sell obsolete machines as scrap directly or need permission/intimation to the Jurisdictional Commissioner. 4. Procedure for starting local sales of some products, including any required permissions or intimations and if we can sell on GST invoices. 5. How to pay duty on imported raw materials used in manufacturing for local sales without fixed input-output norms, and if internal calculations are acceptable." 	<p>"The unit may refer to Para 13 and 14 of PN 25/2021 dated 27 May 2021, issued by Customs Commissionerate Bangalore, which outlines the procedure for debonding of capital goods. Further with respect to DTA Sales, as per Para 6.07 (a) (i) of FTP 2023, an EOU unit is required to reverse the duties of Custom for which exemption is availed and the imported goods are utilized for the purpose of manufacturing of finished goods. Accordingly, custom duty exemption availed on import of inputs is to be paid. You may refer to the said provision for further guidance."</p>
<p>14</p>	<p>We procure raw materials from our DTA suppliers for authorized operations in our SEZ unit. Our suppliers issue invoices under CIF Incoterms, showing both the product cost and freight charges as separate line items. We need guidance on whether we can apply for DTA procurement with SEZ customs based on the total invoice value, including freight charges, to avail the GST tax exemption. Please confirm if this is permissible under SEZ rules and provide the relevant SEZ regulation for reference.</p>	<p>There is no specific legal provision addressing this type of transaction. However, in practical terms, all line items appearing on the face of invoice are included in total invoice value and accordingly total invoice value is furnished at the time of filing DTAP form on SEZ portal.</p>

15	In furtherance to below query, please clarify if an SEZ unit also required to do E-seal.	"Regulation 9 of the Sea Cargo Manifest and Transshipment Regulations, 2018, which outlines the conditions for transshipment or transit through a designated foreign route, mandates that a Custom officer must seal goods being imported or exported if they are routed via land. However, according to the proviso to this rule, the Commissioner of Customs may permit transshipment without sealing the container. As highlighted in our earlier response, please note that SEZ units categorically are not excluded from the said requirement. Hence, said regulations are applicable to them."
16	As per the Public Notice No. 18/2024 dated 17-09-2024 of Customs Mangalore Commissionerate, the exporters are required to file Customs Inland Manifest in ICEGATE after generation of Shipping Bill Number and before the truck leave the factory. Is this applicable for SEZ unit.	There are no exclusions to units falling under any special scheme. Consequently, we understand that the Sea Cargo Manifest and Transshipment Regulations 2018, as outlined in Notification No. 57/2024-Customs (N.T.) dated 31 August 2024, shall apply to SEZ units. These regulations will take effect from 1 October 2024, for Mangalore port (INNML1).
17	Currently, we do not avail GST credit (18%) on toolings procured and moved to our suppliers. Given the high cost of tools and substantial GST credit value, we seek clarification on whether we can move the tools to the supplier's location for manufacturing our parts and still avail GST credit. The tools would remain at the supplier's location for their lifetime.	"The EOU can claim ITC on tools procured and sent to a manufacturer, provided the conditions in Sections 16 and 17 of the CGST Act, 2017 are met. Although the tools are not used by the unit, Section 16(2)(b) allows ITC if the goods are delivered to a recipient or another person on the registered person's direction. Thus, the unit can claim ITC on GST-paid tools. Additionally, with regards to second leg of the transaction, i.e., ITC applicability or reversal on the supply of tools to the manufacturer, the issue is addressed in Circular No. 47/21/2018-GST dated 8th June 2018. You may refer to this circular for detailed guidance."
18	In furtherance to below query, please clarify who is responsible for filing the details on CHIMS—the seller (our unit in the SEZ) or the customer (the DTA unit)	Procurement from the SEZ unit is treated as an import for the DTA buyer and thus buyer is primarily required to comply with CHIMS obligation.
19	In furtherance to below query, we need information on the process for filing details on CHIMS when selling an integrated circuit manufactured in a SEZ to a DTA unit. Specifically, please confirm who is responsible for filing these details on CHIMS.	<p>"Please note that CHIMS registration is required to be filed by the importer to submit advance information at DGFT online portal at the time of import. On submission of online data/information, the system will generate an automatic unique Registration Number. No manual documents are to be submitted to any public authority for this purpose. The same has been illustrated below for your quick reference.</p> <ul style="list-style-type: none"> - The importer can apply for registration no earlier than 60th day before the expected date of arrival of import consignment. The registration can be made on the same day of arrival of import also. The automatic Registration number is granted just after the payment of fees. The automatic Registration Number thus granted shall remain valid for a period of 75 days. - A registration fee of Rs 1 per thousand subject to a minimum of Rs.100/- and maximum of Rs 500/- on aggregate CIF value of imports will need to be paid through electronic mode in the online system for each registration number. - Importers shall have to enter the Registration Number and expiry date of Registration in the Bill of Entry to enable Customs for clearance of consignment. - On registration, a Unique Registration Number (URN) will be sent to the IEC holders mobile/email id (as given in IEC database).

		<ul style="list-style-type: none"> - CHIMS also has the facility to view earlier online registrations. In addition, incomplete applications which have not been submitted for registration on the DGFT portal are also available in the CHIMS for review and further action. - Any change in applicant's mobile/email id will need to be first amended/updated in DGFT IEC database through the online IEC modification system. - Importers who fail to register their information/data on notified HS Code items in advance or are found to furnish incorrect data in the Online CHIMS module will attract punitive action including action under FTDR Act, 1992. - Online Chip Import Monitoring System (CHIMS) is available on a 24X7 basis. However, in the interest of trade/importers, it is suggested that registrations are filed/obtained fairly well in advance to avoid disruptions in the business activity of the firm. - Any issues on account of difficulties faced in filling online registrations need to be raised to mail at support-chims@meity.gov.in for support."
20	<p>We have a manufacturing facility in NSEZ for integrated circuits classified under CTH 85423100. I need to know if selling these products from SEZ to DTA requires CHIMS registration. If it does, could you clarify who is responsible for filing the details on CHIMS.</p>	<p>Import of Integrated Circuits under ITC HS Codes 85423100 shall require compulsory registration under the Chip Import Monitoring System (CHIMS) as per DGFT Notification No. 05/2015-2020 dated 10 May 2021. Import Policy condition of ITC (HS) 85423100 was revised from 'free' to 'free subject to compulsory registration' under CHIMS. The CHIMS registration shall require importers to submit advance information in an online system for import of items and obtain an automatic Registration Number by paying registration fee.</p>
21	<p>We have lost one shipment in courier. So please suggest us the required documents to claim this.</p>	<p>SEZ Law does not specify the list of documents required to claim a lost shipment. However, in our limited knowledge, below mentioned is the list of the required documents for your reference:</p> <ol style="list-style-type: none"> 1. Copy of Invoice 2. Proof of Dispatch 3. Claim Form 4. Proof of Loss 5. Insurance Documents 6. Bank Statements as a proof of payment for the shipment. <p>Since we are not subject matter experts, it's also advisable to consult your insurance agent for the list of documents for insurance claim.</p>
22	<p>"Please clarify:</p> <ol style="list-style-type: none"> 1. GST Invoice for Corporate Guarantee: Is it permissible to issue an invoice for only the GST amount (e.g., ₹1,800) related to a corporate guarantee, without including the underlying supply value (e.g., ₹10,000), and file this in GSTR-1. 2. 180-Day Rule: Does the 180-day restriction apply when paying only the GST amount, and how does it affect our invoicing and reporting." 	<p>There is no specific provision under GST requiring invoices to be raised solely for the tax amount with a taxable value of zero. Additionally, considering the functionality of GST portal while filing GSTR-1 and e-invoicing, the base value of an invoice cannot be zero. Furthermore, the requirement to pay creditors within 180 days applies to the total value of the invoice, including both the taxable amount and GST.</p>

23	In furtherance to below query, we are not sure whether the DTA supplier has utilized any export incentives. We plan to dispose of used batteries (Exide Battery, E Waste, 85491100) as waste/scrap by submitting a Bill of Entry to a registered vendor. Are we obligated to pay the Custom Duty and IGST.	As highlighted in our earlier response, both custom duty and IGST are required to be paid on said transaction.
24	We procure batteries from a DTA vendor without paying IGST. After use, we need to remove the used batteries from the SEZ under Pollution Control regulations. The vendor files and assesses the Bill of Entry with Customs Authority before removal. Please clarify, whether we must pay Customs Duty and SWS as per the Bill of Entry or if we can simply pay IGST and remove the batteries to the DTA.	As per Rule 48(3) read with Rule 49 of SEZ Rules 2006, goods can be returned to the DTA supplier with IGST (without a Bill of Entry), provided that the DTA supplier has not availed any export benefits. Given that the batteries were originally procured without the payment of IGST, the used batteries must be removed by filing a Bill of Entry and paying the applicable customs duty and IGST at the time of clearance.
25	We run a Jewellery unit in SEZ, Mumbai, and are classified as an MSME. We purchased goods from an MSME unit outside the SEZ but are unable to pay within 45 days due to delayed export payments. Since SEZ is treated as foreign territory, our main concern is whether the unpaid purchase from the MSME will be disallowed during the FY 2023-24 computation.	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 SEZs. 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. Accordingly, such unpaid purchases will be disallowed during corresponding FY.
26	<p>"We had exported finished goods between March 2022 to till August 2024. End customer has rejected some quantity of said goods, due to quality reason. We intend to re-import it for quality checking, defect rectification, re-work and return. If goods found not repairable, we will melt it, and molten metal will be used for manufacture of new product.</p> <ol style="list-style-type: none"> 1. What is procedure of re-importing exported goods by SEZ 2. What is time limit within which exported goods can be re-imported by SEZ 3. Whether any import duty is payable while re-importing goods by SEZ" 	<p>"Please find below pointwise reply to queries:</p> <ol style="list-style-type: none"> 1. As per Regulation Number 9 of Notification No. 53/2003-Customs dated 22nd July 2003, the unit shall be allowed to re-import the goods exported and found to be defective or damaged by the overseas buyer, subject to the procedure as mentioned in regulation 4 of such notification and subject to the following conditions, namely identification of goods is established at the time of re-import. 2. Goods are re-imported within a period of one year from the date of export. 3. The unit is allowed to re-import such defective/rejected goods without payment of duty and IGST thereon."
27	<p>"Please clarify:</p> <ol style="list-style-type: none"> 1. Customs Duty on SEZ Transfers: If an SEZ unit transfers a duty-free imported machine to a DTA unit, it should not attract customs duty, but GST will apply. 2. DESH Bill and SEZ 2.0: Despite announcements in 2021, there has been no significant progress on the DESH Bill or SEZ 2.0. It is rumored that the government may address this within 100 days of a new term. 3. Competitive Disadvantage: Competitors in countries like Sri Lanka, Malaysia, Indonesia, and Thailand can sell duty-free, while Indian SEZ companies face customs duties when selling domestically, even if the resources were imported duty-free. This policy challenges the "Make in India" and "Make for the World" initiatives." 	<p>"Your understanding is correct. Under current SEZ Law, duty payment is required once goods are cleared from an SEZ to a DTA unit. According to Rules 48 and 49 of the SEZ Rules, 2006, goods can be transferred to a DTA unit after paying the applicable duty and rate based on their HSN classification. Additionally, please note that there are no further updates regarding the DESH Bill."</p>

<p>28</p>	<p>"We want to procure Methyl Ethyl Ketone (MEK) from a bonded warehouse, imported by a trader under their NOC, due to delays and availability issues with direct imports. You need clarification on the following points:</p> <ol style="list-style-type: none"> 1. Do we need a NOC from the Narcotic Dept to file the home consumption bill of entry for MEK from a bonded warehouse. 2. If a NOC is required, how should we apply for it, given that the SEZ unit will buy the material imported by the trader. 3. Can we include the trader's details in the NOC application since we lack the original supplier details. 4. Does the trader need NOC to sell the imported material, considering SEZ sales are treated as exports. Please clarify because customs department insists on NOC for filing the ex-bond bill of entry for narcotic items. " 	<p>As per Rule 26 of SEZ Rules, 2006, exporters may export Special Chemicals provided they meet the conditions specified in the ITC (HS) Classifications of Export and Import Items. Accordingly, we understand that traders must obtain a No Objection Certificate (NOC) when exporting special chemicals to SEZs. The SEZ can then present this certificate to the customs officer when filing the Bill of Entry (BOE) for home consumption.</p>
<p>29</p>	<p>We hold a valid RCMC Certificate with the EPCES. Currently we are operating in two SEZ locations: Arshiya FTWZ and JNPT FTWZ. Please advise whether we need to apply for fresh registration for the second location and, if so, request guidance on the procedure.</p>	<p>The requirement for a RCMC is determined by the number of Letters of Approval (LOAs) held by the Company. If a Company holds two separate LOAs for both SEZ units, then two separate RCMCs are required.</p>
<p>30</p>	<p>If the Scrap is destroyed by the SEZ unit with the permissions of the Customs Authority can the unit have to pay the applicable IGST. Please clarify if it is exempted.</p>	<p>As per 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.</p>
<p>31</p>	<p>"We had imported raw materials without payment of customs duty under Annexure III (IGCR Rules). Some of the raw materials are not as per the specifications ordered and some of them are defective. In this connection, we seek your advice on below:</p> <ol style="list-style-type: none"> 1. Rejection of such defective goods and exporting back to the supplier – What is the duty implication in this case and procedure to be followed 2. In few cases, overseas suppliers are not willing to take back the defective goods. Hence, we will have to scrap it and dispose locally– What will be the duty implications in this case and procedure to be followed." 	<p>"As per para 6.16 of the FTP-2023, general provisions of FTP relating to export /import of replacement/repair of goods would also apply equally to EOUs. Further, referring to PN 25/2021 issued by Customs Commissionerate Bangalore, in case the imported goods are found defective or otherwise unfit, may be returned and replaced.</p> <ol style="list-style-type: none"> 1. In case defective goods are exported back to the supplier, no duty is required to be paid on the same. 2. However, if the defective goods are scrapped and disposed of locally, the unit needs to pay the applicable customs duty on the goods. The duty will be calculated based on the value of the goods at the time of import."
<p>32</p>	<p>Please clarify when is an SEZ unit obligated to file the APR. Is it necessary to file the APR for years before the commencement of operations. Please provide references to any relevant circulars or notifications.</p>	<p>As per Rule 22(3) of the SEZ Rules, 2006, every SEZ unit must file an Annual Performance Report (APR) in Form I for each operational year. This report should be submitted on the SEZ portal by 30th September of the following year, starting from the year operations commence.</p>

<p>33</p>	<p>"We seek clarification on notified and non-notified offences under SEZ law. Notified Offences:</p> <ol style="list-style-type: none"> 1. Notification No. S.O. 76 (E) dated 13.01.2010 lists acts or omissions punishable under FTDR as notified offences under SEZ Act, 2005. 2. Notification No. S.O. 77 (E) dated 13.01.2010 authorizes the Development Commissioner as the enforcement officer for these offences. 3. Notification No. S.O. 2665 (E) dated 05.08.2016 includes offences under Customs Act, Central Excise, and Finance Act (Service Tax). Enforcement Officers: <ol style="list-style-type: none"> 1. Notification No. S.O. 2666 (E) dated 05.08.2016 designates ADG, DRI, and ADG, DGCEI as enforcement officers. 2. Notification No. S.O. 2667 (E) dated 05.08.2016 authorizes Jurisdictional Customs Commissioner and Commissioner of Central Excise for investigations. <p>Queries:</p> <ol style="list-style-type: none"> 1. What is the rationale behind notified offences, and do they affect SEZ/FTWZ units or only real importers/exporters. 2. Is Section 124, marked as a notified offence, merely an enabling provision for issuing SCN before confiscation. 3. Are Jurisdictional Customs Commissioner and Commissioner of Central Excise not enforcement officers under SEZ law. 4. Who is the adjudicating authority for notified and non-notified offences for SEZ/FTWZ units. 5. Are there notifications empowering ADG DRI, ADG DGCEI, and customs/central excise commissioners to issue SCNs for SEZ/FTWZ units. 6. Are there notifications empowering ADG DRI, ADG DGCEI, and customs/central excise commissioners to adjudicate SCNs for SEZ/FTWZ units. 7. In a nutshell, we would like to understand as to who is the adjudicating authority for notified and non-notified offences under customs law qua SEZ/ FTWZ units" 	<p>"Please find below the pointwise reply to your queries:</p> <ol style="list-style-type: none"> 1. Rationale Behind Notified Offences: Notified offences under SEZ law are primarily aimed at ensuring compliance with various regulations and maintaining the integrity of the SEZ framework. These offences can impact SEZ/FTWZ units if they are involved in activities that violate the specified regulations. The notifications are not limited to real importers/exporters but apply to any entity operating within the SEZ that commits the specified offences. It is further to be noted that SEZ Act is not a complete set of law in itself, but depends and refers to certain other laws for offences and penalties. 2. Section 124 as a Notified Offence: Section 124 of the Customs Act, 1962, which deals with the issuance of a Show Cause Notice (SCN) before confiscation of goods, is marked as a notified offence. This inclusion ensures that due process is followed before any punitive action is taken against SEZ/FTWZ units. 3. Enforcement Officers: Notification No. S.O. 2666(E) dated 05.08.2016 defines the enforcement officers for any notified offence committed or likely to be committed in a SEZ. Additionally, the jurisdictional Customs Commissioner and Commissioner of Central Excise have been given the powers to carry out the investigation, inspection, search, or seizure in a SEZ/Unit with prior intimation to the jurisdictional Development Commissioner. These are two separate provisions with different powers and responsibilities and should not be merged. 4. Adjudicating Authority for Notified Offences: The adjudicating authority for notified offences within SEZs/FTWZs typically includes the Development Commissioner and other enforcement officers as defined in Notification No. S.O. 2666(E). 5. Issuance of SCN for Notified Offences: Notification No. S.O. 2666(E) empowers the ADG DRI and ADG DGCEI to issue SCNs to SEZ/FTWZ units in relation to notified offences. 6. Adjudication of SCN for Notified Offences: Notification No. S.O. 2667(E) dated 05.08.2016 outlines the powers of the jurisdictional Customs Commissioner and Commissioner of Central Excise to carry out the investigation, inspection, search, or seizure in a SEZ/unit. 7. Non-Notified Offences: For non-notified offences, the general provisions of the Customs Act, 1962, and other relevant laws will come into play. The jurisdictional Customs Commissioner and Commissioner of Central Excise can issue and adjudicate SCNs as per their standard jurisdiction."
<p>34</p>	<p>We want to procure 6 desktops under SEZ developer for SEZ custom officers' use. As per Rule 12(2) of SEZ Rule 2006, we need to apply to the DC office with a list of goods certified by a Chartered Engineer for approval. Please advise under which authorized activity we can procure these desktops.</p>	<p>You may acquire these desktops under Sr. No. 13 - Common Data Centre with inter-connectivity as per Instruction No. 50, which outlines the default list of activities that can be undertaken by the developer.</p>

35	In furtherance to below query, please clarify against point 2, whether our DTA unit can procure duty free goods from our SEZ unit (both DTA and SEZ units are operating under the same IEC) under Advance Authorisation.	A DTA buyer can obtain goods from an SEZ unit under Advance Authorisation. The DTA and SEZ unit operating under a common IEC does not restrict it from procuring goods from another unit.
36	We manufacture readymade garments and has leftover raw materials. Please guide: 1. Whether we can sell unused materials in India and overseas under Rule 34 of SEZ Rule 2006. Do we need special permission for this or for trading activities in LOA. 2. Can the DTA unit buy from the SEZ unit under 'Advance Authorization' if both have the same IEC number. 3. Can they sell unused goods to the domestic market on a DFIA license.	Please find below pointwise response to your queries: 1. As per Rule 34 of the SEZ Rules, 2006, a unit can sell unutilized goods to either a DTA or a foreign party without needing specific permission or adding this activity as trading in the LOA. 2. A DTA buyer can obtain goods from an SEZ unit under Advance Authorisation. These supplies will be considered for NFE calculation under Rule 53A of the SEZ Rules, 2006. 3. An SEZ unit can supply goods to a DFIA license holder. "
37	We had procured networking equipment in STPI unit under import duty exemption. Now we wish to transfer the same to SEZ unit. We need your advice on the following points: 1. Can we transfer import duty exempted material from STPI unit to SEZ unit on value after depreciation or it must be transferred on original value. 2. Is there any SEZ rule or custom notification where it says that material can be transferred on value after depreciation."	An STPI unit may supply goods to SEZ units as per Rule 30(14) and Rule 30(12) of the SEZ Rules, 2006, allowing duty-free transfers between zones. Although SEZ Law does not explicitly address depreciation for such transfers, Instruction 11 (dated 29 May, 2009) clarifies that the value of used or second-hand capital goods transferred from STPI to SEZ should be calculated using the depreciation rates specified in the Income Tax Act and its Rules.
38	If good purchase the goods on high seas basis from Indian company & payment made in INR is treated as import or domestic purchase for APR purpose. In this case no out flow of foreign currency	Since the goods are procured from a domestic supplier and the payment is made in INR, the transaction would not tantamount to import for the unit.
39	We are manufacturers and exporters of engineering components from an EOU, using imported raw materials (Stainless Round Bars) to produce components for the oil and gas industry. The Development Commissioner has set ad hoc norms for scrap/waste. 1. If scrap from the manufacturing process, within the ad hoc norms, is disposed of in the DTA, will it attract only GST, or are import duties also applicable. 2. We understand that if the scrap sale is outside SION or ad hoc norms, import duties are payable. 3. What is the relevant customs notification for this scenario"	As per Para 3 of Notification No. 52/2003-Customs, dated 31 March 2003, if the waste and scrap generated during production are within the specified norms, the exemption on the imported or procured goods available in said notification would continue to be available to the unit. Accordingly, only GST would be payable if scrap generated is within the threshold set under SION/Ad-hoc norms.

40	One of our customers in DTA have claimed that they have not received input credit for supplies covered under two invoices during 23-24. They received credit for the other 8 invoices which we had raised during the year. We had paid customs duty and IGST upfront at the time of filing the invoices with the concerned authorities. As per the IGST act, we do not show the DTA sales in our GST returns. The customer has withheld payment of these invoices citing non receipt of input credit. We need your advise as to what we should do for the customer to get credit of the input tax.	We understand that the recipient has not received input credit for supplies covered under captioned 2 invoices during FY 2023-24, while credit for the other 8 invoices raised during the same period were available to the recipient. We assume that duty payment and filing of all the 10 invoices were done in the same manner. Since the eight invoices are visible on the recipient's portal while the two in question are not, there may have been a technical glitch or clerical error during the filing of the Bill of Entry (BOE). We suggest revisiting the BOEs for these two invoices to gain better clarity.
41	As per Circular No.11/2024 dated 25 August 2024, we are not able to generate in IIN in ICEGATE portal. Please clarify.	The necessary developments notified by CBIC vide Circular No. 11/2024-Customs dated 25 August 2024 will be implemented in the IGCRS Rules for EOUs starting from 1 September 2024. So you may wait and recheck, post 1 Sep 2024.
42	We have SEZ units where in some cases we procure laptops by paying applicable duty / taxes and in some cases, we avail exemption. Please let us know, whether SEZ unit can sell the laptops to their own employees after completion of 5 years. If they can sell, please let us know the which SEZ custom formalities to be completed before selling it to employees	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.
43	The SEZ unit purchased batteries on IGST paid invoice, and after three years, the batteries are no longer required and we want to scrap/dispose of them. Please confirm if we are required to make payment, including customs duty and IGST, for the removal of the batteries from the unit to the scrap vendor by filing the DTA BOE.	The sale of used batteries to DTA would attract applicable duties of customs and IGST. The CTH for waste and scrap batteries is 8549 and it attracts BCD @10%.
44	We do not directly export software but offer services facilitated by information technology. We provide end to end business support to our parent companies located in United State of America and Canada. Could you please confirm if the Business Process Outsourcing listed as above falls under the purview of IT Enabled Services.	As per Regulation 6 of the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015, the SOFTEX form must be submitted for the export of computer software. Additionally, Regulation 2(viii) defines 'software' as any computer program, database, drawing, design, audio/video signals, or any information, regardless of the medium, except for physical media. Based on this, it can be interpreted that any company engaged in IT/ITES exports/ BPO through data communication links is required to submit the SOFTEX form to the Designated Authority for certification.
45	As per LOP sanctioned by CSEZ for the period 2019 to 2024 import of capital goods envisaged as 400.50 Lakhs. However, we have imported more value of capital goods without intimation to CSEZ approval. Please clarify.	You need to submit additional projections to the Zonal DC and based on the approval, need to file additional BLUT and B-17 bond.

<p>46</p>	<p>"Doubt regarding jobbing documentation in icegate</p> <ol style="list-style-type: none"> 1. While going out the material for jobbing boe generating against supporting document of delivery chalan 2. BOE for dta clearance m type generating in icegate - in this document igst is there and it is shown as input in supplier gst. 3. While returning the goods we are arranging shipping bill summary 4. BOE and Shipping bill summary submitting in gate and there after SB let export copy is generating. Means closed the job. Please clarify, how to remove supplier account appearing unwanted input." 	<p>"An SEZ unit can send goods for job-work as per Rule 41 of the SEZ Rules, 2006. Further, the goods may be transferred from SEZ premises to job-worker premises duty-free on the basis of delivery challan and e-way bill. There is generally no requirement for a Bill of Entry (BOE) or Shipping Bill (SB) for such transfers. However, in the current situation, we understand that BOE and SB documents have been generated, and tax has been charged. Accordingly, the unit may file a BOE with a declaration as "Free of Cost" (FOC) for job-work transactions. To address this, the unit should amend the Bill of Entry and shipping bill accordingly."</p>
<p>47</p>	<p>Please clarify on including every product name in the LoA even if it is tablets or capsules. If required, kindly advise how to overcome the difficulties in providing the quantities in the product inclusion application. Does this means broad banding.</p>	<p>We understand that the unit is going to get the new APIs incorporated in their existing LOA, by obtaining approval from the DC office. Further, the projection required for product quantification may be calculated based on the tentative quantities of such products procured in the past.</p>
<p>48</p>	<p>Our SEZ AO is demanding us to pay the applicable export duty on the steel procurement made by from DTA suppliers for the period May 22 to Nov 22. Please advise whether our SEZ Unit need to pay.</p>	<p>As per the proviso to Rule 27, supplies from DTA to SEZ will attract export duty if the items are subject to export duty.</p>
<p>49</p>	<p>"Request your clarification on the following lines wrt SEZ :-</p> <ol style="list-style-type: none"> 1. SEZ produces their final product by using only domestic material and its final product clears in the DTA market attracts BCD & SWS ? 2. CAN SEZ return a rejected material or return to the DTA supplier for any reason? if so whether attracts BCD & SWS ? 3. If material is imported by SEZ under common notification against the benefit of a certificate of Origin or any other notification other than SEZ Rule and clearing as such will it attract BCD & SWS?" 	<p>"Please find a pointwise reply to your queries as below:</p> <ol style="list-style-type: none"> 1. As per Rule 47(1) of the SEZ Act 2006, a unit is permitted to sell goods and services, including rejects, wastes, scraps, or remnants, to the DTA upon payment of customs duties and taxes as specified in Section 30. 2. As per Rule 30(9) of the SEZ Rules 2006, goods or parts imported or procured from the DTA that are found to be defective or damaged after procurement can be returned to the supplier without payment of duty for repairs or replacement. 3. Similar to response 1, the sale of goods to a DTA unit, whether imported or procured domestically, requires payment of customs duties."
<p>50</p>	<p>We have some packing material scrap to be disposed in local market. The nature of packing material scrap is plastic scrap, wooden scrap, corrugated boxes which were received along with purchase of capital goods/raw materials and not manufacturing scrap. In this regard, kindly advise the tax implications on sale of aforesaid items and if customs duty is to be paid on DTA sale of above items.</p>	<p>Generally, as per Para 6.14(d) of FTP-2023, the disposal of used packing materials is permitted upon payment of duty based on the transaction value. However, as per Para 4(c) of Notification No. 52/2003, dated March 31, 2003, a Customs officer may authorize the clearance of used packing materials, such as cardboard boxes and polyethylene bags, without duty payment, provided the jurisdictional Development Commissioner grants permission. Consequently, there would be no requirement to pay Customs duty, and only GST would be applicable.</p>

51	Please clarify, are we allowed to import materials from Mr. X for value addition on a contract basis and then send the finished product to Mr. Y, who is Mr. X's client located in a different country. If so, could you please provide the specific rules or guidelines to understand the process.	The proposed transaction is on a principal to principal basis. Therefore, the Company need to mention the details of the bill to ship to in export documents
52	The Unit is running for several years on the land allotted by KIADB. We have fulfilled all the lease conditions and sale consideration to KIADB. Now KIADB would like to register the land in Company name. Please let us know whether the registration of sale deed in favour of Company by KIADB requires any clearance from SEZ. If so, what are the formalities for obtaining SEZ Approval.	There is change in the existing nature of land ownership, and going forward the SEZ unit would be the land owner instead of lessee of the land. Accordingly, such changes do not warrant any further clearances from SEZ authorities. However, such change in the nature of land ownership of the SEZ unit is required to be intimated to SEZ authorities.
53	<p>"We seek your opinion on distributing employee goodies. Our SEZ Unit held an event for knowledge sharing and brainstorming, involving employees from our SEZ Unit and Group entities (virtually). Our SEZ Unit procured goodies, paying GST, to distribute to employees of the SEZ Unit and Group entities who participated virtually from outside India. Please clarify</p> <ol style="list-style-type: none"> 1. What is the process for sending goodies to employees of Group entities located outside India. 2. We plan to send these goodies via courier, with a value less than Rs. 1 lakh." 	As per Rule 46(5) of the SEZ Rules, 2006, SEZ units are permitted to export goods via couriers only if the courier is an authorized entity registered with the Commissioner of Customs overseeing the gateway airport. The procedures outlined in the Courier Export and Import (Clearance) Regulations, 1998 must be adhered to. Additionally, the custodian is allowed to hand over the goods to the courier following the procedure specified by the Specified Officer.
54	"We seek your clarification regarding the import and procurement of used laptops and IT assets for refurbishment and subsequent sale/export. We are establishing a unit to procure used laptops and desktops (IT assets) from SEZ/STPI units, refurbish them without changing any parts, and then export them out of India or sell them in the domestic market as per received orders. We understand that this activity can be conducted under the EOU/SEZ scheme with duty exemption benefits. Please confirm if our intended purpose can proceed under the EOU/SEZ scheme. If not, kindly advise which scheme we should consider for duty exemption benefits."	"As per Rule 34 of the SEZ Rules, 2006, the SEZ unit may sell the unutilized goods to SEZ unit /EOU for refurbishment without paying duty, provided these goods are used for authorized operations. Both the EOU and SEZ schemes are suitable for your operations. Further we understand that the unit specifically wants to avail the duty benefit on removal of laptop/IT assets. Accordingly, you may opt for any of the two options."
55	We are transferring networking material from FTWZ to SEZ unit. SEZ unit has filed bill of entry for completing in bond movement. However, duty apprising officer of SEZ unit is demanding approval from the Specified Officer of FTWZ. Please let us if there is any recent amendment in this regard where provision of approval from the Specified Officer of FTWZ is made.	There is no change in respect to transfer of goods from FTWZ to SEZ units. Rule 30(12) of SEZ Rules provides that the SEZ unit is required to file a BOE and basis the assessed BOE customs officer of FTWZ will allow the movement of goods.

56	<p>"We are planning to sell goods from our SEZ unit to a customer in MOOWR unit under duty-free status. Could you please provide us with the following:</p> <ol style="list-style-type: none"> 1. The relevant SEZ rule number and customs notifications that apply to the transfer of goods from SEZ to MOOWR under duty-free provisions. 2. A step-by-step procedure for executing this transfer, including any necessary documentation, approvals, and compliance requirements." 	<p>As per Rule 46(13), an SEZ unit can clear the goods to a bonded warehouse without payment of duty. Further, the detailed procedure in this regard is stated in the Public Notice No.16/2021 dated 5th April, 2021 enclosed herewith for your reference. Please note that the responsibility to follow the procedure shall be of the Licensee.</p>
57	<p>We obtained permission for additional premises from CSEZ. However, due to a downturn in business, we now wish to de-bond these premises. Could you please confirm if we need to obtain de-bonding permission from CSEZ again and if we also need to notify EPC Customs.</p>	<p>We understand that the entity is an EOU and want to de-bond certain portion of premises. In this regard, as per para 6.34(g) of HBP 2023, deletion of space may be granted by the jurisdictional Development Commissioner. You may approach the Zonal Development Commissioner along with the written application and intimate the customs officer of the change.</p>
58	<p>In furtherance to below query, please clarify if there is no ceiling on the amount of DTA sales as long as the NFE is positive.</p>	<p>Please refer to the relevant provisions under Para 6.07. This paragraph outlines the conditions and limits on DTA sales for different categories of goods and services. For example, Gems and Jewellery units are permitted to sell only 10% of their exports to DTA units. It specifies that EOUs can sell to DTA, subject to certain conditions and restrictions detailed in the paragraph. Accordingly, the unit need to access their product classification and seek relevant conditions (if any, applicable on the product) from the above mentioned para.</p>
59	<p>"What is the criteria for selling goods in the DTA. Is there a percentage of the ceiling as per FTP."</p>	<p>As per Para 6.07 of FTP-2023, sale of Finished Products / Rejects / Waste/ Scrap / Remnants and By-products to DTA would be subject to payment of excise duty (if applicable), GST and compensation cess (as applicable) along with reversal of duties of Customs availed as exemption on inputs utilized in manufacturing process. You may refer the same for specific percentage on your product.</p>
60	<p>We executed a Bank Guarantee (BG) against B-17 on 12 May 2023, and received the status holder certificate from DGFT on 10 October 2023. As per Para 1.29(c) of FTP, 2023, we requested the EPC authorities to cancel and return the BG, citing our new status holder status. However, the authorities denied the request, stating that the BG cannot be returned as it was executed before obtaining the status holder status. We seek clarification on whether there are provisions allowing the authorities to retain the BG for this reason.</p>	<p>Please note that there is no specific provision under which the officer can retain the bank guarantee. You may reach out to Senior jurisdictional authorities seeking the possible resolution.</p>
61	<p>During COVID period we had procured networking material for SEZ unit without payment of IGST. However somehow, we forgot to file DTA procurement form on SEZ online. In such case, is there any provision/ concession available for SEZ unit to file DTA procurement form for the material which was procured in COVID or can unit transfer such material (where DTA procurement form has not been filed) from one SEZ to another SEZ by paying applicable duty. Please advise.</p>	<p>"During the pandemic, zonal DC have issued several clarifications as regard to relaxation from physical filings of documents. However, we have not come across any specific relaxation from online filing of DTAP Form. Further, as per Rule 30(15) read with Rule 38 of SEZ Rules 2006, an SEZ unit may transfer goods/ services to another SEZ unit without payment of tax subject to the condition that it is being used for authorised operations of the receiving SEZ"</p>

62	We have procured the materials locally for our authorised operation under the zero rated. Now we would like to ship the material to DTA location. Since we have availed only IGST benefits, do we need to pay the customs duty as well (BCD and SWS).	You may refer to Rule 34(iv) of SEZ Rules, 2006 for removal of unutilized goods from SEZ to the DTA, on payment of applicable duties and taxes. Please note that procurement of goods from SEZ unit is considered as import by the DTA unit and accordingly, applicable custom duty would also be leviable.
63	Please guide if there is any provision to export packing material on regular basis as per SEZ rules & regulations.	There is no specific provision under SEZ Law for export of packing material. You may refer to normal export provisions and ensure that such activity is duly approved in LOA of unit.
64	<p>"In furtherance to below query, we request you address the below query also:</p> <ol style="list-style-type: none"> 1. In the event of sale of unutilized goods, as per para 6.14 of FTP, from one EOU another EOU, whether Customs duty exempted at the time of import is to be paid or only applicable GST of the product is payable. Should EOU need to get prior permission from Customs/Development Commissioner for the sale of unutilized duty free goods to another EOU or only prior intimation is enough to Customs. 2. As regards value to be declared in Tax Invoice for sale of duty exempted goods from EOU to another EOU, whether it should be as per value mentioned in Bill of Entry at the time of import or the saleable market value of the respective product" 	As per Para 6.14 read with Para 6.12 of FTP, 2023, transfer of goods from an EOU to another EOU is allowed and would be treated as import by the receiving unit. Such transaction would not attract any custom duty, however, applicable GST is to be discharged on transaction value.
65	<p>"Please guide:</p> <ol style="list-style-type: none"> 1. Whether unit under EOU scheme is required to get prior permission from Development Commissioner & Customs for DTA sale of finished goods. As per para 6.07 (a) of FTP and sub-clause (d) of Appendix-6G, only intimation is enough to the concerned authorities, subject to positive net foreign exchange achieved. Also, as per para 6.39 (g) of HBP, EOU with status holder certificate, no prior permission from MEPZ/ Customs is required, but prior intimation has to be given. 2. In the event of sale of unutilized goods, as per para 6.14 of FTP, from one EOU another EOU, whether Customs duty exempted at the time of import is to be paid or only applicable GST of the product is payable. Should EOU need to get prior permission from Customs/Development Commissioner for the sale of unutilized duty free goods to another EOU or only prior intimation is enough to Customs. 3. As regards value to be declared in Tax Invoice for sale of duty exempted goods from EOU to another EOU, whether it should be as per value mentioned in Bill of Entry at the time of import or the saleable market value of the respective product." 	<p>"Please find point wise reply to your queries below:</p> <ol style="list-style-type: none"> 1. On sale of goods to DTA unit, only prior intimation to Custom authorities is required. 2. As per Para 6.14 of FTP- 2023, on sale of unutilized material from EOU to DTA unit, intimation is required to be made to the Custom authorities on payment of applicable duties and taxes. 3. Further, transfer of manufactured goods from one EOU to another is allowed on payment of GST with prior intimation to concerned Development Commissioners of the transferor and transferee units as well as concerned Customs authorities."

66	<p>We are planning to buy Group Medical Insurance for our employees based at GIFT City. Please confirm can we ask for an Invoice from the Vendor without GST since we are exempted from GST and other statutory levies in SEZ unit and we have the exemption certificate too. Please provide clarity on the same.</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 Group insurance of Employees is related to individuals and not related to authorised operations of the SEZ Unit, the actual beneficiary of the said service is an individual and not the unit, it may not be allowed to be procured duty-free.</p> <p>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>
67	<p>"In furtherance to below query, please confirm the process as below:</p> <ol style="list-style-type: none"> 1. To get the Consent letter from the Supplier 2. Then to submit the papers with DC MEPZ for approval (Consent letter of the supplier with copy of the Bill of entry under which the subject goods are initially imported) with covering letter declaring that re-export proof will be submitted. 3. To get approval from DC MEPZ office 4. To submit the papers with Customs, Facilitation centre (Consent letter of the supplier, copy of the Bill of entry under which the subject goods are initially imported and copy of the DC, MEPZ approval) with covering letter declaring that re-export proof will be submitted." 	<p>Your understanding is correct. You may proceed with your understanding.</p>
68	<p>We have imported a capital goods 15 months back, but the same is not meeting our requirements and the supplier could not rectify the problem. Now they are ready to give replacement and agreed to share the re-export proof too. Please clarify if it is allowed as per Para 6.16 of FTP 2023 and Customs Notification 52/2003.</p>	<p>As per para 6.16 of the FTP-2023, general provisions of FTP relating to export /import of replacement/repair of goods would also apply equally to EOUs. Further, referring to PN 25/2021 issued by Customs Commissionerate Bangalore, in case the imported goods are found defective or otherwise unfit, may be returned and replaced. In the event of replacement, goods may be brought back from foreign suppliers or their authorized agents in India or indigenous suppliers. Units shall take a prior approval from the jurisdictional EPCs before re-export.</p>
69	<p>Our DTA unit received free of cost imported goods for software testing purpose from UK. They want to shift few material on permanent basis to SEZ unit for project work. Please confirm if it is possible to move (on permanent basis) free of cost material DTA to SEZ. Further, please confirm this movement can be made basis tax invoice or against deliver challan.</p>	<p>The supply of goods from a DTA unit to an SEZ unit will be considered a separate transaction. This transfer must be documented with a tax invoice reflecting the transaction value. Additionally, the zero-rated GST benefit will only apply if the goods are used for authorized operations by the SEZ unit.</p>

70	<p>A Developer utilized services for authorised operations from a service provider in 2017 (post GST) and 2018, but customs endorsement was not carried out in accordance with regulations. Can the Tax Invoices be endorsed by Customs now.</p>	<p>As per Rule 30 of SEZ Rules, 2006 endorsement of invoices for services procured from DTA is also required to be completed by the SEZ unit and shared with the vendor within 45 days of procurement. However, the unit may approach and request the Authorised Officer for endorsement of old invoices, on providing him sufficient reasons for such delay in non-endorsement of pending invoices. Please note that endorsement of old invoices are at discretion of the authorities.</p>
71	<p>Request you to kindly confirm the process of procuring second hand laptops, systems from office in DTA. Also please clarify process for getting the GST refund in such a case.</p>	<p>"An SEZ unit may procure second hand laptops, systems from the DTA unit without payment of duty as per Rule 27 of SEZ Rules, 2006. You may refer to Rule 30 of SEZ Rules, 2006 which outlines the procedure in this regard. With respect to refund query, please elaborate the context with which refund application is required to be filed. "</p>
72	<p>Can we claim IGST benefits for event organized for awarding employees on their achievements. An event was organized by the company to recognize employees for their achievements. This event was organized outside of SEZ zone.</p>	<p>"The invoice copy provided has already been issued under the benefit of zero-rated supply to the SEZ unit. We understand that these employee convention services fall under entry no. 21 of the uniform list of services, categorized as "Convention services." Therefore, the unit may avail the zero-rated benefit for these services based on the default list. However, please note that the endorsement of this invoice must be done by the jurisdictional Authorised Officer. We recommend reaching out to the Authorised Officer to confirm its eligibility for endorsement to avoid any potential disputes at later stage."</p>
73	<p>"In furtherance to below query, we have concern regarding ""Separate GST registration for Non-processing area is to be obtained" "because according to Section 6 of SEZ Act 2005 -" The areas falling within the Special Economic Zones may be demarcated by the Central Government or any authority specified by it as -</p> <ol style="list-style-type: none"> the processing area for setting up Units for activities, being the manufacture of goods, or rendering services; or the area exclusively for trading or warehousing purposes; or the non-processing areas for activities other than those specified under clause (a) or clause (b). <p>We have not de-notified any part of our SEZ, therefore even after demarcation of partial built-up area of a building as Non-Processing Area we will remain as notified SEZ including processing and non-processing areas. Therefore, we request further clarity regarding:-</p> <ol style="list-style-type: none"> Whether the NPA will not be treated as part of SEZ If NPA will be treated as part of SEZ, can a developer take two different registration for same SEZ (one for processing area and other for NPA)" 	<p>"The area demarcated as non-processing area under Rule 11B shall be approved by BOA only. For all technical/practical purpose this non-processing area shall not form part of SEZ."</p>

<p>74</p>	<p>"We used imported goods and goods/services procured from DTA for developing two buildings in our SEZ. Now we are demarcating three built-up floors as Non-Processing Area from one building under SEZ Rule 11B. We request your guidance and clarification regarding below mentioned points:</p> <ol style="list-style-type: none"> 1. How the repayment of duties/taxes should be done, should duty related to imported goods be paid under TR-6 and goods/services procured from DTA under DRC-03 or total amount be paid against TR-6 only. 2. Do SEZ Developers need separate GST registration for business related to built-up Non-Processing Area in SEZ. 3. Which tax (SGST+CGST or IGST) will be applicable for goods/services procured from DTA for built-up Non-Processing Area, other common infrastructure & facilities by the SEZ Developer." 	<p>"Please find point wise reply to your queries below:</p> <ol style="list-style-type: none"> 1. The duty on imported goods would be paid by TR-6 challan while the duty on domestically procured goods would be paid through DRC-03 challan. 2. Separate GST registration for Non-processing area is to be obtained 3. Since, separate registration as DTA unit would be obtained, tax would be paid in accordance with general inter/intra state provision as per Section 7 & 8 of IGST Act, 2017. "
<p>75</p>	<p>At the time of movement of bonded goods from STPI to SEZ unit under LUT on filing of BOE, do we still need to submit an intimation to DC office as per instruction - 11.</p>	<p>"Instruction 11 talks about movement of Capital goods from DTA/STPI unit to SEZ Unit. According to said instruction, no second hand capital goods will be allowed to be moved into the Zone without prior approval from the Development Commissioner. Further, STPI may supply goods to SEZ units in accordance with the provisions outlined in Rule 30(14) read with Rule 30(12) of SEZ Rules, 2006. "</p>
<p>76</p>	<p>Does this amendment in Notification no. 50/2024-Customs (N.T.) dated 19 July 2024 make sez units supplying to 100% eou and other sez units, deemed exports, which are eligible for RoDTEP.</p>	<p>The amendment in this notification seeks to allow RoDTEP benefit against goods exported by an SEZ Units. Supply of deemed exports is not allowed for RoDTEP benefit. Therefore, supply by SEZ unit to EOU/SEZ Unit is not eligible for RoDTEP benefit.</p>
<p>77</p>	<p>In furtherance to below query, we mention AD Code on BOE. Kindly clarify how we need to go about this issue.</p>	<p>For job-work transactions, mentioning the AD Code is optional. You can choose not to include the AD code on the SB/BOE to avoid any impact from the EDPMS/IDPMS portal.</p>
<p>78</p>	<p>"We are involved in job work activities and exported to same supplier. We have not paid the material cost to supplier and exported to our customer in Ireland, on a job work basis. Only the labor cost has been added in the shipping bill (SB). Please advise.</p> <ol style="list-style-type: none"> 1. Do we need to obtain Job work approval from EPC Customs for the foreign supplier. 2. Could you confirm the IDPMS/EDPMS RBI compliances for closing, considering that we have not paid the raw material cost to the customer, and the SB reflects only the labor cost under EOU. 3. Regarding raw material clearance, the BE was cleared under EOU-DF, and the amount was debited in the B-17 bond. How should we proceed to take the re-credit in this case." 	<p>Based on the documents shared, it appears that the unit has not explicitly mentioned that the filing is related to job work. In the case of job-work transactions, the unit is required to file a BOE with a declaration as "Free of Cost" (FOC). Additionally, if the FOC value is specified but the AD (Authorized Dealer) Code is missing in the Bill of Entry or shipping bill, the EDPMS/IDPMS system will not register such a transaction. To address this, the unit should amend the Bill of Entry and shipping bill accordingly.</p>

79	We are suppliers of goods to SEZ unit from Custom Bonded warehouse. Please clarify whether we can supply under LUT.	You may refer to Rule 46(13) of SEZ Rules, 2006, which outlines the procedure and conditions for supply of goods from SEZ to bonded warehouse. According to said rule, goods are transferred to a Unit based on a Procurement Certificate issued by the Customs Officer. The EOU would file a Bill of Entry for Home Consumption with the Authorized Officer. Additionally, the EOU must submit a signed document as per procedures laid down under Rule 46(12)(iii) within 45 days from the goods' clearance date
80	In furtherance to below query, reiterating the query, please confirm that whether SIMS registration is required on generation of iron/metal scrap during production activities and selling it to DTA.	The goods moved from a SEZ to a DTA Unit are considered imports by the DTA Units. In case the scrap is classified under an HSN category that necessitates SIMS registration, the DTA Unit must secure this registration. Additionally, if the scrap produced falls under HSN code 72041000, which pertains to waste and scrap of alloy steel, SIMS registration becomes compulsory for the DTA supplier.
81	We are a furniture manufacturing unit intending to make DTA Sale of Iron/Metal Scrap which was generated during manufacturing process and activities. Now after the filing of DTA Sale, Bill of Entry, Custom officer asking for SIMS Registration required of DTA Unit as per Circular no. 30 issue dby DGFT for scrap sale from SEZ Unit. However, as per Para 2.33 of FTP-2023, no authorisation is required for scrap sale from SEZ Unit. Please clarify.	"We understand that the company wants to understand if SIMS registration is required at the time of clearance of steel scrap from SEZ to DTA. In the above backdrop, it is to be noted that Circular No. 30/2015-2020 dated 8 January, 2020 issued by DGFT has clarified that in case an item of steel gets registered under SIMS at the time of entry into SEZ, there is no need to seek SIMS Registration again at the time of supply of such item into DTA. However in the case of Scrap, the nature of the steel might undergo a change resulting in change in HS Code at 8 digit level as well. We are of the concise view that SIMS registration is required as there is change in 8 Digit level HS Code. Further, Para 2.33 addresses the provisions concerning the disposal of metallic scrap generated during manufacturing or processing activities."
82	Please clarify. We imported equipment under a duty exemption certificate as a 100% EOU. One part (the probe) became defective and couldn't be repaired in India. Consequently, we sent the part to a vendor in Switzerland for repair after obtaining the GR Waiver from the bank. The initial value mentioned during export differed from the value associated with the repaired probe upon re-import. Now, while approaching the bank to close the GR Waiver, they point out this value mismatch. Could you guide us on how to proceed?	"As per the Master Circular No. 10/2011-12 dated July 1, 2011, issued by the RBI, an exporter may request AD banks for GR approval when goods are exported for re-import after repair, testing, maintenance, etc. Please refer to paragraph B.10 of the said circular. Additionally, this paragraph requires the submission of the Bill of Entry filed at the time of re-import of the exported item from India within one month. There is no specific provision under the law that allows any percentage of mismatch allowance. Further, you may reach out to your AD bank to explain them the situation and seek further course of actions for closure of GR Waiver."
83	Whether training services received from an advocate will fall under the scope of legal services as per definition given in Para 2(zm) of Notification No.12/2017 – Central Tax (Rate) dated 28th June 2017. Additionally, whether RCM will be applicable to training services received from advocates.	Given the ambiguity in legal definitions concerning the phrase "in any manner" within the context of legal services, the training service in question could be classified under either legal services or training services. Further, both categories are listed under the default services in SEZ Law. Therefore, irrespective of the classification, the unit would not be required to pay GST under reverse charge.
84	In furtherance to below query, please clarify, whether Customs Duty should be payable where we are filling BOE. Further, these goods are moving from one custom bonded area to another custom Bonded area, hence where is the need to file Bill of Entry.	As per Rule 46(11) of SEZ Rules, 2006, read with Notification no. 41/2017-Integrated Tax (Rate), the goods shall move from the registered supplier premises directly to the port of export. In that case there is no requirement of filling BOE. However, such supply shall attract the IGST of 0.1% on the deemed supply of goods from registered supplier to registered recipient/merchant exporter.

85	<p>"We intend to export thru a merchant exporter under Rule 46(10)/45(11) and will send the goods directly to port. As per rule 46(11)(i) of SEZ Rules, the export is considered as "as if these were movement of goods from one warehouse to another". Please clarify:</p> <ol style="list-style-type: none"> 1. Whether 0.1% IGST would be applicable for this transaction. 2. Whether we can report these invoice in Table 6A of GSTR-1. 3. Any other matter which the SEZ unit should take care." 	<p>"Please find pointwise reply to your queries as below:</p> <ol style="list-style-type: none"> 1. As per "Notification No. 41/2017-Integrated Tax (Rate)," goods dispatched from an SEZ unit to another registered entity for export purposes must be cleared under the bill of entry filed by the recipient unit. The notification sets the Integrated Tax rate at 0.1% for inter-State supply of taxable goods from a registered supplier to a registered recipient for export, subject to specified conditions. 2. The recipient unit is obligated to report this transaction in its GST returns as an import from the SEZ unit. 3. You may refer to above mentioned notification and Rules 45 and 46 of SEZ Rules, 2006."
86	<p>Global Insurance Brokers Pvt. Ltd. (GIB), a composite reinsurance broker with a branch office in GIFT City SEZ, provided reinsurance services to GIC, Mumbai HO. They received a brokerage payment in US dollars. Please clarify whether the earned brokerage (USD 10) should be reported in the APR as exports or domestic supplies.</p>	<p>Such income could be reported under Table 3(B) of APR i.e. Value of supplies made under Rule 53A ('a' to 'k'). Such transaction would come under clause 'h' of Rule 53A of SEZ Rules, 2006.</p>
87	<p>"We intend to export fixtures and components to MOOWR unit in Bangalore from our EOU. In this regard, we wish to know the following:</p> <ul style="list-style-type: none"> - Whether taxes/duties are exempted on sale of goods from EOU unit to MOOWR unit. If yes, kindly provide reference of section/notification. - Whether MOOWR unit can issue any duty entitlement certificate to supply goods from EOU unit to MOOWR unit. - If not, kindly let us know applicable taxes/duties on supply of goods from EOU to MOOWR unit. - Documentation and procedure to be followed by EOU unit to ship goods from EOU to MOWR unit." 	<p>"There is no specific exemption on supply of goods from EOU to MOOWR Unit. The procurement from EOU would be treated similar to normal procurement made from DTA unit. Accordingly, GST would be paid on procurement of goods from EOU. For documents and procedure to be followed, you may refer to "Manufacture and Other Operations in Warehouse (no. 2) Regulations, 2019"</p>
88	<p>Is there guideline given by ministry of commerce or SEZ customs for issuance of SEZ gate passes for visitors, vendors and customers.</p>	<p>As per Rule 70(3) of SEZ Rules, 2006, DC is authorised to issue temporary ID cards to casual visitors. You may refer the same.</p>
89	<p>Please clarify, whether at the time of filing QPR, we need to provide investment details on cumulative basis or only for quarter. Also, please clarify if we need to disclose all types of purchases i.e. duty free imports, local purchases with and without payment of GST.</p>	<p>We understand that the unit is registered as an EOU. Accordingly, please note that the QPR is reported by the EOU according to the format prescribed under Annexure III, which does not appear to request investment details. Additionally, the QPR requires information solely for the current quarter, including opening and closing balances where necessary.</p>

90	We have purchased new plant near our EOU and done warehouse facility for EOU with permission from CSEZ. For additional warehouse we got registration from GST department. How can we add the address in our IEC /LOP/ Green cards.	"We understand that the entity has a warehouse which is to be used as an additional warehouse outside the EOU unit for storage of material. In this regard, as per para 6.34 of HBP 2023, inclusion of additional space may be granted by the development commissioner. We would like to inform you that there is no explicit provision or document prescribed in the FTP/ HBP for inclusion or deletion of the space. You may approach the Zonal Development Commissioner along with the written application, map of the warehouse along with property ownership documents for approval of additional space. Further, for addition of warehouse address in IEC, you may add the details under branch details. Green card is required to be updated with DC office and post that the DC would update it in customs records"
91	We have two factories in different states with same IEC. We intend to transfer three machineries and had filed the invoice with depreciated value (zone to zone transfer with no duty). Kindly advise whether we need to proceed with assessable value or depreciated value.	As per Rule 30(15) read with Rule 38 of SEZ Rules 2006, a SEZ unit may transfer goods/ services to another SEZ unit. However, there is no specific provision for valuation in relation to depreciation of said goods. Further, we understand that valuation of said goods may be considered as per its value in books of accounts on the day of transaction. Hence, depreciated value of such goods may be considered.
92	In furtherance to below query, please guide if material will be destroyed during the standard test, and as a result, it will not be returned to Zone. Consequently, will the developer be responsible for paying the relevant taxes.	As per proviso to Rule 50(3) of SEZ Rules, 2006, if these goods would be destroyed in the process of testing/ R&D, a certificate from the laboratory or institution to that effect shall be furnished to the Specified Officer.
93	The developer procures oil filters for DG Set, paying IGST to DTA supplier. After using filters, the developer must remove them from zone and send them to a registered vendor. This removal follows a specified test under Rule 5(3) of SEZ Rules. Please confirm whether Developer shall pay IGST at the time of removal from Zone and if yes, please elaborate the process with rules.	We understand that the developer intends to remove the spares for the purpose of testing. In this regard, the developer may remove the goods without payment of duty as per Rule 50(3) read with Rule 14 of SEZ Rules, 2006, on giving an undertaking to the authorized officer for the return of such goods.
94	We understand that supply of services to DTA unit is not subject to custom duties and only IGST applies. Please confirm whether same applies to sale of scrap.	As per Rule 47 of SEZ Rules, 2006, the SEZ unit may remove scrap/remnants to the DTA unit on payment of applicable Customs duty including BCD, if applicable.
95	"We are looking to import 500 SIM cards from a supplier in Singapore. Kindly provide the procedure and list all necessary documents, licenses, and approvals."	"Para 2.06 of FTP-2023, specifies the mandatory documents required for import of goods into India as under: <ol style="list-style-type: none"> 1. Bill of Lading/Airway Bill/Lorry Receipt/ Railway Receipt/ Postal Receipt in form CN-22 or CN 23 as the case may be. 2. Commercial Invoice cum Packing List 3. Bill of Entry Further, Blank Sim Card duly classifiable under HSN 85235210 and as per Schedule 1 of ITC HS code, it is freely importable goods. "

<p>96</p>	<p>"We have an 100% EOU and Non EOU unit for manufacturing of spices under same GST. As we have a smaller facility at EOU, for completing the export orders we have taken a job work permission for the Non – EOU unit to facilitate the processing and export by sending the goods under job work.</p> <ol style="list-style-type: none"> 1. Can we process the goods in job work location more than 50% of sales. 2. As both the EOU location and Job work location are under same GST, we are not able to raise a 3. GST invoice for the job work processing charges. In that case, how can we record the expenses in EOU books. 4. In some case, due to material shortage for EOU export orders, we are utilizing the raw material of the job work location (Non -EOU unit). We are not able to raise a GST invoice for raw material utilized. In that case, how can we record the stock in EOU books." 	<p>"Please find below pointwise reply to your query:</p> <ol style="list-style-type: none"> 1. As per Para 6.19(a)(ii) of FTP-2023, an EOU is allowed to subcontract upto 50% of its previous year production to DTA unit subject to permission of Custom authorities. 2&3. Please note that since both EOU and non-EOU are registered under the same GSTIN, there would not be any tax invoice raised for goods/services supplied. The movement of goods would be made under the cover of delivery challan and the same shall be recorded in EOU books of accounts accordingly."
<p>97</p>	<p>We have an 100% EOU and Non EOU unit for manufacturing of spices under same GST. For doing exports under 100% EOU, we must procure some local material along with imported material where GST is applicable. As both the EOU and Non – EOU are under same GST, the refund of IGST is getting scrolled for all the inputs under the GST which includes domestic purchase made under EOU. Is there any specific rules or guidelines on how to claim that input purchases under EOU.</p>	<p>"Rule 89(4B) of the CGST Rules, 2017 specifies the refund process for cases where an EOU avails exemption under the Notification No. 78/2017-Customs, dated 13 October, 2017 mentioned in the rule. The said rule provides the formula of one to one correlation of imported goods with the exports made during the relevant period. However, in case the unit is not availing exemption under above-mentioned notification, then it may claim refund under Rule 89 under the category of ""ITC accumulated in lieu of export of goods without payment of tax."</p>
<p>98</p>	<p>As per the rule 13/24-25, second-hand import is restricted unless there is an import authorization or BIS registration. Since we are importing from the US, the laptop only has US labeling. Please confirm whether these items comply with the regulations.</p>	<p>"With respect to BIS Certification, the DGFT has exempted SEZs from the applicability of mandatory QCOs issued under the BIS Act, 2016, for the import of inputs required solely for export production. Further, Notification 23/2023, dated 3 August 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 No. 06/2023-24, 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."</p>
<p>99</p>	<p>Please clarify, if there is any provision to seek extension for LOA period for a one or two month. However, we have initiated the LOA renewal process and submitted application with MEPZ but we foresee the approval for renewal could exceed beyond the validity.</p>	<p>As per Rule 19(6A) of SEZ Rules, 2006 a unit seeking to renew its LOA must submit the application in Form F1 at least two months before the LOA's expiry. However, any delay in submitting the application will be evaluated based on the merits of the case. In reference to this provision, the unit should contact the jurisdictional Development Commissioner to address the delay in filing the application and expedite the renewal of the LOA at the earliest possible.</p>

100	<p>"We intend to import certain capital goods which will further be sent to a third party premises for assembling. With this background, please clarify the following:</p> <ol style="list-style-type: none"> 1. Is such transaction allowed. 2. What are the documentation required. 3. Do we need to deposit any taxes with government and how much. 4. Will the deposited amount refunded once we receive product back." 	<p>"An EOU is allowed to send duty free imported goods for job-work subject to conditions as prescribed under para 6.14 of the FTP and Rule 7 of the Customs (Import of Goods at Concessional Rate of Duty) Rules, 2022 (IGCR). Key points -</p> <ul style="list-style-type: none"> - An advance permission to be obtained from Customs (EPC) - Records to be maintained as mentioned in Rule 7 of IGCR "
101	Please confirm the due date for submission of SEZ APR for the financial year 2023-24.	The due date for APR is 30th September.
102	In furtherance to below query, please clarify whether we need to contact NSEZ or any other govt body to allowing us license for this product. This product will be manufactured under organic farmers products by a farmer. Further, please clarify , the procedure to bring these goods to NEZ for export. Can such products be allowed to export directly from farmers' place.	"As per Notification No. 51/2023 dated December 8, 2023, only oil cake and other solid residues under Chapter 2306 are prohibited from export. It appears that the unit wishes to export Mustard Oil (HSN 23069012), which can be exported without any prohibition as per Schedule 2 of ITS (HS Code). Further, the unit can procure goods from a DTA supplier (farmer) following the procedure outlined in Rule 30 of the SEZ Rules, 2006. Such products could be exported from the SEZ unit only."
103	We intend to send our goods to our DTA factory (Warehouse) after payment of customs duty and GST. Can we raise an invoice to Customer from DTA Factory when the goods are in transit and direct the goods to the customer place. Kindly advice on the procedure to be followed.	The unit may issue an invoice to the DTA customer under the Bill to Ship to model. The invoice should include the billing address of the DTA warehouse or factory and the shipping address of the DTA customer.
104	"For the FY 23-24, we have incurred trading losses, which we have consistently reported in monthly SERF. We understand that the APR filing does not allow for reporting negative loss figures directly. We have two potential approaches: Option A: File the trading loss as zero (certified by a CA) and submit an annexure letter detailing the specifics of the trading loss. Option B: Show exports as zero (since it cannot be negative) and report the trading loss in the "Other FE outflow" category, resulting in cumulative NFE being negative. Please guide."	The unit may report the actual imports along with zero exports in APR, which will automatically compute the negative NFE. Further, the unit needs to comply with positive NFE condition at the earliest possible, as required by LOA.
105	Is it permissible for an IFSCA unit to transfer or redeploy existing manpower from a DTA unit to a new IFSC SEZ unit. Specifically, does this allowance extend to activities such as splitting up, reconstruction, or shifting of an existing business within the IFSC unit.	The unit may transfer employees from a DTA unit to an SEZ unit, provided that the SEZ unit accounts for the resulting products or services. Further as per Circular No. 12/2014 dated July 18, 2014 (as amended) issued by CBDT, the transfer or redeployment of technical manpower from existing units to a new SEZ unit in its first year of business will not be considered as splitting or reconstructing an existing business. This is valid if the transferred technical manpower does not exceed 50% of the total technical manpower engaged in software or IT-enabled product development in the new unit by the end of the financial year.
106	What is the procedure for exporting human hair through Customs notified bonded warehouses in China.	The procedure for export by the EOU unit is outlined in Para 6.01 of FTP, 2023. You may refer the same.

107	Our IEC has two branches. Please clarify whether RoDTEP benefit claimed in one branch can be used for the bill of entry filed in another branch.	As per Public Notice No. 01/2021, dated 04 January 2021, the RoDTEP ledger is maintained at IEC level. Accordingly, it appears that the benefit may be utilized for another BOE reflecting on ledger.
108	We have procured certain input and input services relating to construction of parking space and a hall for seating arrangements for vendor of SEZ company. The parking space and hall is situated outside the SEZ zone and adjacent to SEZ Zone. Since the parking space and hall has been located outside the SEZ zone, all the expenses relating to such parking space and hall has been made by paying the necessary taxes. Shall we continue to retain these expenses in SEZ books of accounts itself, as these expenses were incurred only for the operational convenience of SEZ company. Further, we have procured it only with taxes. Should we move all these expenses to our DTA books of accounts, as the same is outside the zone.	Since the goods and services used in the construction of the parking space have not entered the SEZ premises, we understand such expenses should not be considered as utilized for SEZ purposes. Therefore, these expenses would not be accounted for in the SEZ books of accounts.
109	In furtherance to query dated 24 June 2024, it is once again requested to re-examine whether DTA procurement of UCO can be exported after processing the same with reference to the latest ITC (HS) under HSN 15180039.	As per Schedule 2 of ITC (HS), 2018, read with Notification no. 01/2015-2020 dated 6 April 2020, all varieties of edible oils, except mustard oil can be exported under HSN code 15180039. The same have been made 'free' for export without any quantitative ceilings, pack size etc. Accordingly, the unit may procure the UCO from the DTA unit after verifying that the edible oil is not mustard oil. Copy of said notification and screenshot of relevant extract from Schedule 2 is also enclosed.
110	"We have SEZ & Domestic unit with separate registration under GST act. We do also have Input Service Distributor registration for common services. We are distributing common ITC with filing GSTR 6. SEZ unit also receiving such common ITC based on turnover ratio. As we only have export of services from SEZ unit under LUT/Zero rated supply u/s section 16 of IGST act, we are unable to utilize ITC in SEZ unit hence applying for refund of ITC against zero rated supply. At Telangana state, Central GST authority denied for refund stating that as per Section 16(1) of the IGST Tax Act, 2017 the supply of goods and / or service to SEZ unit is zero-rated and thus, the SEZ unit is not eligible for refund under Section 54 of the CGST Act, 2017. Further stating that the supplier of goods or services or both to SEZ Developer or SEZ Co-Developer or SEZ Units is eligible for claim of refund and there is no provision for granting of refund to SEZ unit under IGST Act, 2017. It is mentioned that ISD is distributor only not the supplier to file refund under GST. Please clarify."	"Under the GST regime, supplies to SEZ are considered as zero-rated supplies. The supplier is given two options to undertake zero-rated supplies - either pay IGST and take refund of said IGST paid or obtain LUT and supply without payment of tax. Under both the options, the tax burden would not go to the recipient of supply. However, in case the supplier charges tax to recipient SEZ, then said SEZ may claim ITC subject to fulfillment of prescribed conditions. There is no provision under the GST law which restricts a SEZ unit /developer to claim refund of ITC on GST paid to the vendors with respect to supplies received. There is only a procedural provision which specifies that the supplier is required to file a claim of refund in case of supplies made to the SEZ unit or developer. Please note that in our view, said procedure would not deny the benefit or opportunity of refund claim to SEZ unit or developer. You may approach the GST authority or file an appeal against the rejection order."

111	Our customer sends their goods to us on loan basis for the testing and R&D purposes and sometimes these items attract BIS or WPC or import authorisation from DGFT. As on date there is no such requirement for SEZ imports but what shall be the situation after introduction to the ICEGATE. Whether the import restrictions shall be applicable for the SEZ imports as well.	ICEGATE is designed with separate functionalities specifically for SEZ-related activities. As such, the import restrictions and requirements applicable to SEZ imports are addressed within this system. Currently, SEZ imports are exempt from requirements such as BIS, WPC, or DGFT import authorizations for items sent on a loan basis for testing and R&D purposes. Post-integration with ICEGATE, it is expected that SEZ imports may continue to be managed distinctly, ensuring compliance with the current exemptions and any new regulations seamlessly.
112	Please clarify if there is provision for conversion of SEZ unit into STPI. If yes, please share relevant rules and provision.	A unit can exit from the SEZ and register under the STPI scheme. There are no special rules or procedures specifically for converting from SEZ to STPI. The unit needs to follow the standard SEZ exit procedures, clear any obligations, and obtain necessary approvals from the Development Commissioner. Further, it may apply for registration with the STPI by meeting its requirements and submitting the appropriate documentation.
113	Is there any notification available for allowing DTA sales without payment of duty for goods produced from indigenously procured material	As per Rule 38 of SEZ Rules, 2006, supply from SEZ unit to the DTA recipient is treated as an import in the hands of DTA recipient. Accordingly, BCD and IGST will be charged on such supplies. However, the SEZ unit may supply the goods duty free to the DTA recipient having special status as advance license holder, EOUs, STPs, EPCG holders etc. Further, Rule 49(4) of SEZ Rules, provides certain situations where goods may be removed to normal DTA units without payment of tax.
114	Please clarify whether BCD is applicable on domestically procured raw material to DTA unit.	As per Rule 38 of SEZ Rules, 2006, supply from SEZ unit to the DTA recipient and treated as an import in the hands of the DTA recipient. Accordingly, BCD and IGST will be charged on such supplies and be remitted by the receiving DTA unit in accordance with Rule 47 and 48 of SEZ Rules, 2006.
115	<p>"Our business model involves sending our products to client on subscription basis without transferring ownership. After the contract period, the client will return the goods to us and pay only service charges for usage. We will issue a tax invoice for supply of services and not for sale of goods. Please clarify on below points:</p> <ol style="list-style-type: none"> 1. What documents are required to send products to SEZ client. Is a tax invoice (for services) and delivery challan sufficient. 2. What documents are required when the SEZ client returns the products to us. Is a delivery challan along with copies of the inward documents sufficient. 3. Are we eligible to send the product to a client located in DTA. If yes, what will be the customs duties applicable and what are the required documents to send and bring back the product from the DTA client." 	We understand that the goods are transferred to clients for right to use the asset without control over the asset. Accordingly, you may refer to Rule 50 and Rule 51 of the SEZ Rules, 2006, for transfers to a DTA unit, and Rule 38 of the SEZ Rules, 2006, for transfers to another SEZ. Such transfers require prior approval from the Authorized Officer. The necessary documents for the transfer of goods include the delivery challan, non-returnable gate pass, and any other documents as suggested by the Specified Officer.

116	In furtherance to below query, can you please also share compliances and checks which needs to be carried out for SEZ exit other than the documents.	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.
117	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.	<p>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.</p> <p>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.</p> <p>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. 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>
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Direct Taxes and FEMA

<p>118</p>	<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. PI ignore if already filed. -Income Tax Department” 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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<p>119</p>	<p>We are facing an issue with purchases from the FTWZ, arising in the process of purchasing raw materials from FTWZ to SEZ, where invoices are in JPY equivalent to INR, but the bill of entry is filed in JPY currency as per the SEZ Act. Despite submitting required documents to ICICI Bank for bill closure, the bank, citing SEZ regulations, refuses to close the entry due to payments being made in INR. We seek assistance in resolving this matter and guidance on the correct procedure for bill closure in compliance with regulations.</p>	<p>“We understand that the Company's SEZ unit procured raw materials from a FTWZ unit. The SEZ unit has made payment in INR and consequently there is a discrepancy in the clearance of the bill of entry.</p> <ul style="list-style-type: none"> - As per the SEZ Act, 2005 (“SA 2005”), Free Trade and Warehousing Zone means a Special Economic Zone wherein mainly trading and warehousing and other activities related thereto are carried on (section 2(n) of the SA 2005). - Transaction of to/from SEZs will be construed as export and import (section 2 (m) and (o) of the SA 2005). - As per the Foreign Exchange Management Act, 1999 - Further, SEZ shall be deemed to be territory outside the customs territory of India for the purposes of undertaking the authorized operations (section 53 of SA 2005). - In the present scenario it is observed that there happened an export and import of goods between FTWZ (export) and the Company's SEZ unit (import). - We would like to highlight the following is the extract from the export master directions regarding export contract and invoice currency denomination: “All export contracts and invoices shall be denominated either in freely convertible currency or Indian rupees but export proceeds shall be realized in freely convertible currency. However, export proceeds against specific exports may also be realized in rupees, provided it is through a freely convertible Vostro account of a non-resident bank situated in any country other than a member country of Asian Clearing Union (ACU) or Nepal or Bhutan.” Indian Rupee is not a freely convertible currency, as yet” - Hence, the payment should be made only in freely convertible currency unless there's a separate vostro account functional in place to transact in INR. Based on the above highlighted regulations, we are of the view that the issue should be regularized by effecting the payment in a Japanese Yen (freely convertible currency).”
<p>120</p>	<p>In furtherance to below mail, Regulation 9(2)(a) of Foreign Exchange Management (Export of Goods & Services) Regulations, 2015, the full export value of goods or software shall be realized and repatriated to India within 9 months will be applicable from Date of Consignment Export i.e. 01-01-2023 or Date of Actual Export (Post Confirmation from Customer) i.e. 01-04-2023.</p>	<p>“As per Regulation 9(2)(a) of the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015, the full export proceeds of the goods/software should be realized and repatriated to India within 9 months from the date of export. Accordingly, given that the date of export is 01-04-2023 (Date of Actual Export), the export proceeds must be repatriated within 9 months from date of export (i.e., within 31-12-2023). The above clarifications have been provided based on the limited information made available for our review and the matter may require elaborate review based on facts, documents, and other information as may be relevant to the case.”</p>

<p>121</p>	<p>"We have the following question concerning Exports.</p> <ol style="list-style-type: none"> 1. The number of months/days allowed for Consignment Export returns. (9 months or 12 months) 2. If a unit has exported goods under consignment and it has converted into sales then in that case the criteria to realize and repatriate the full value of goods to India within 9 months from the date of exports will be applicable from Date of Consignment Export or Date of Export Invoice-Actual Sales). 3. Any other specific provisions applicable for SEZ Units." 	<p>As per Regulation 9(2)(a) of Foreign Exchange Management (Export of Goods & Services) Regulations, 2015, the full export value of goods or software shall be realised and repatriated to India within 9 months from the date of export. We understand that even in case of consignment exports, the proceeds needs to be repatriated within the specified period of 9 months from the date of export. Accordingly, in this case, the criteria to realize and repatriate the full value of goods to India within 9 months will be applicable from date of actual export invoice.</p>
<p>122</p>	<p>We are utilising the testing services of M/s.Inter Testing & Consulting Services (Shanghai) Co., Ltd. For this, we are making the A2 service payment by getting the CA Certificate after submitting the required statutory forms. Now our CA has informed us that the Form 10F which is one of the documents required for A2 Service payment has to be mandatorily through Income Tax website e filing mode. The service vendor has tried and informed us that due to security reasons they are not able to file the same through e filing. We request you to refer and guide us on what is remedial action for this matter.</p>	<p>"The provisions of section 90 of Income tax Act, 1961 ("IT Act") mandates that, a person who is not a resident in India should furnish the following documents to the person in India responsible to withhold tax to claim the income-tax benefits (withholding exemption, lower rate applicability, etc. as the case may be) based on the provisions of the Double Taxation Avoidance Agreement between the relevant country of the non-resident vendor and India:</p> <ol style="list-style-type: none"> a. Tax Residency Certificate. b. Form 10F (to be filed online in e-filing portal and to be furnished to the Company). c. No PE certificate. <p>Hence, documentation of Form 10F is a mandatory requirement. Further, manually furnished Form 10F is not acceptable post 30 September 2023 and only e-filed Form 10F needs to be furnished (copy of notification in this regard is attached for your reference) at present. Further, the e-filed Form 10F can be filed (persons with or without PAN) and processed only through the e-filing website of the Income Tax Department (Web address: https://www.incometax.gov.in/). The website aforesaid is owned and operated by the Income Tax Department (Government of India) and thus any IT related security threat should not be a concern. At present there are no alternatives available than to generate Form 10F online through the website of the Income Tax Department. In the absence of Form 10F documentation, the Company should not consider any DTAA benefits to the Vendor regarding withholding tax."</p>

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Form 56 F which has to be submitted for claiming deduction under section 10AA has been removed in Income Tax Portal. Request you to let us know the status if form 56 F is applicable for the Assessment year 2023-24 and if only Form 56 FF (relating to SEZ re-investment Reserve) can only be filed.

"We have received certain queries on the filing of Form 56F in order to claim deduction under section 10AA of the Income-tax Act, 1961 (Act) for Assessment Year (AY) 2023-24. We are sharing our analysis on this issue:

1. As per the provisions of section 10AA of the Act, "(2) The deduction under clause (ii) of sub-section (1) shall be allowed only if the following conditions are fulfilled, namely:— (b) the particulars, as may be specified by the Central Board of Direct Taxes in this behalf, under clause (b) of sub-section (1B) of section 10A have been furnished by the assessee in respect of machinery or plant along with the return of income for the assessment year relevant to the previous year in which such plant or machinery was first put to use. (8) The provisions of sub-sections (5) and (6) of section 10A shall apply to the articles or things or services referred to in sub-section (1)" As per section 10AA(2)(b) and Rule 16DD of the Income-tax Rules, 1962 (Rules), Form 56FF has been prescribed by the Central Board of Direct Taxes. Similarly, section 10A(5) (drawn reference to in section 10AA(8)) read with Rule 16D prescribes the requirement to file Form 56F.
2. Notification no. 83/2021 dated 29 July 2021 had, inter alia, omitted certain rules and forms which included rule 16D and 16DD along with Form 56F and 56FF. However, no changes/amendment were made in the main provisions of the Act viz. section 10A and 10AA.
3. Subsequently, Notification no. 140/2021 dated 29 December 2021 reinstated rule 16DD which stipulated filing of Form 56FF. Notably, no changes were made with respect to rule 16D (form 56F) and it stands deleted as on date.
4. Further the electronic filing mechanism for filing Form 56F has also been discontinued for the AY 2023-24. Issue for consideration:
Whether a taxpayer is required to file Form 56F for AY 2023-24 and onwards?
Our Analysis and way forward.

In the absence of any rule and corresponding form as on date for the purpose of section 10AA(8) r.w. section 10A(5) and also withdrawal of the facility to file the same electronically in our view the taxpayer should take due precaution to correctly compute deduction under section 10AA, whether itself or with help of consultants/auditors There is no requirement to obtain audit report in Form 56F, however, for internal control purposes (if the taxpayer chooses to obtain Form 56F), it may do so and keep in its records. Accordingly, a physical Form 56F can be obtained (duly certified) and maintained in the files. This can be submitted during assessment proceedings, if required to support the computation"

124	<p>We have a Company incorporated in October 2019 and eligible for claiming concessional tax rate of 15% u/s 115BAB of Income Tax Act (ITA). However, Form 10-ID was not filed along with the first Income tax return (i.e. for FY 2019-20) as specified u/s 115BAB. The same was filed subsequently. However, in the first income tax return (FY 2019-20), option of 115BAB was selected. We seek your view on whether the Company will be eligible to claim concessional tax rate u/s 115BAB for future years.</p>	<p>"Section 115BAB(7) of ITA requires companies engaged in manufacturing to file Form 10-ID before the due date specified under section 139(1) for their first assessment year beginning on or after April 1, 2020, to benefit from concessional tax rates. Failing to do so may render the company ineligible for the concessional tax rate for that year. There's a widely adopted view that considers these form-filing requirements as procedural and argues that benefits shouldn't be denied due to filing delays. This view is based on legal cases where deductions were allowed despite form non-compliance. However, relying on this view and claiming concessional rates for FY 2019-20 and beyond may lead to significant legal disputes, as section 115BAB(7) appears mandatory. To minimize risks, the company could forgo past tax concessions and opt for the concessional rate from the year they file Form 10-ID before the income tax return due date, treating it as the first exercise of the option."</p>
125	<p>"SEZ is claiming 4th year deduction u/s 10AA for AY 2023-2024, but Form 56F is omitted for AY 2023-2024. Which form do I need to file to get deduction u/s 10AA or deduction u/s 10AA itself not to be claimed for AY 2023-2024. Please advice."</p>	<p>"Following clarification has been provided in the FAQ hosted at IT portal.</p> <p>Both the forms are available to users in the portal. You may file the form based on the notification/guidance issue by the Income Tax Department and as per applicable provision of the Act/ Rules. Further, as per the ITR-6 notified for AY 2023-24 and ITR-6 Validation Rules for AY 2023-24 released by CBDT, it is observed that reference to Form 56F and requirement to e-file said form are kept alive. Hence, we understand that option to file Form 56F would be still enabled in ITD e-filing portal accounts of CAs. Until any clarification is released in this regard, assesseees could continue filing Form 56F as per facility enabled in ITD portal."</p>
126	<p>"Referring to Sec 80LA of IT Act on Deduction in respect of certain incomes of Offshore Banking Unit & IFSC", please clarify</p> <ol style="list-style-type: none"> 1. whether the tax benefits mentioned in aforementioned Section be claimed by an IBU that was established before the issuance of flexibility of tax benefits. 2. If an IBU was founded in 2019 and did not avail the benefit under the aforementioned clause until the prior FY. Can IBU now take advantage of their ten consecutive years tax exemption out of fifteen years. 3. Please let us know if there are any additional documents needed to receive tax exemption going forward." 	<ol style="list-style-type: none"> 1. Yes. 2. Yes, subject to fulfilment of IFSC criteria and conditions listed in Section 80LA of Income Tax Act. 3. As per Section 80LA(3) of Income Tax Act: <ul style="list-style-type: none"> - a report of a chartered accountant in Form No. 10CCF, certifying that the deduction has been correctly claimed in accordance with the provisions of this section; and - a copy of the permission obtained u/s 23(1)(a) of the Banking Regulation Act, 1949 in case of a Offshore Banking Unit."

<p>127</p>	<p>Need your inputs on impact of Section 115BAB on purchase of used assets by SEZ unit (which is not eligible for 10AA since it is recently approved. However, it has opted for section 115BAB). Would like to know, how is the calculation made to arrive percentage of used assets. For eg. Company A (SEZ unit) has opted 115BAB tax rate of 15%. Company A has gross block of Plant & Machinery of say 100 and net block of say 80 as per books. Also, net block as per IT act is say 50. Company A is buying second hand capex of INR 15 (i.e. used capex). Will this impact 115BAB rate in the hands of Company A. How to calculate ratio of 80:20 prescribed in 115BAB. Also, whether entire block of assets to be considered (including Tools, Furniture, Computers, etc.) or only Plant and Machinery to be taken to calculate the percentage of used assets to new assets.</p>	<p>This aspect is not clarified in law, however, you may go ahead with WDV as per income tax for the purpose of computing the overall value of plant & Machinery. Further, only Plant and Machinery is required to be considered for said computation.</p>
<p>128</p>	<p>"One of our member units viz. B.R OVERSEAS, SURAT SEZ informed that, their banker (HDFC Sachin, Surat) deducted approx. USD 1000 as interest against their PRE-PAYMENT usance bills (60 days) and settled the payment to their overseas supplier in US and due to this party got less amount than the invoice raised to BR Overseas. Since the good quality of the material (Diamonds) is getting from them is best for them and to keep sustainability they PRE-PAID the bill which is due in Sept.23. When we checked with their Banker they did this as per RBI circular clause as below: C.2 Interest on Import Bills Clause (ii) ""(i) AD – Category – I bank may allow payment of interest on usance bills or overdue interest for a period of less than three years from the date of shipment at the rate prescribed for trade credit from time to time. (ii) In case of pre-payment of usance import bills, remittances may be made only after reducing the proportionate interest for the unexpired portion of usance at the rate at which interest has been claimed or LIBOR of the currency in which the goods have been invoiced, whichever is applicable. Where interest is not separately claimed or expressly indicated, remittances may be allowed after deducting the proportionate interest for the unexpired portion of usance at the prevailing LIBOR of the currency of invoice."" This is the first time such deduction has taken place. Could you please take up and get this waived off to all or else there will be a lot of issues faced by our Exporters."</p>	<p>"We understand that B.R. Overseas, Surat SEZ's banker ("the Company") deducted approximately USD 1,000 as interest against their prepayment of usance bills and settled the balance payment to their overseas supplier in the US. As per FEMA Import master direction, "In case of prepayment of usance import bills, remittances may be made only after reducing the proportionate interest for the unexpired portion of usance at the rate at which interest has been claimed or LIBOR/any other widely accepted/alternative reference rate of the currency in which the goods have been invoiced, whichever is applicable." Accordingly, based on the current agreement with the overseas supplier, it would be advisable to not make any pre-payments to the overseas supplier whereby the above interest deduction can be avoided. Alternatively, the following options may be considered in order to avoid the interest charged on pre-payment:</p> <ol style="list-style-type: none"> 1. The Company can consider reducing the credit period instead of prepayment of the bills to avoid this kind of interest deduction by suitably amending the agreement between the Company and the overseas supplier. 2. Also, the Company may alternatively consider paying the overseas supplier in advance. The Advance import payment is a pre-payment method in which an importer makes the payment for the items to be imported in advance prior to the shipment of goods. In this regard, the Company can consider amending the agreement to include provisions with respect to advance payment to goods as well. Accordingly, the AD category – I banks are permitted to take decision on overseas mining companies to whom an importer can make advance payments, without any limit / bank guarantee/ stand-by letter of Credit. However the Banks will process such advance payment after such conditions as may be prescribed."

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"We have a query about the amendment in section 10AA:- (1) As per new proposed provision- "the proceeds from sale of goods or provision of services is received in, or brought into, India by the assessee in convertible foreign exchange, within a period of six months from the end of the previous year or, within such further period as the competent authority may allow in this behalf."" and (2) RBI master direction on export of goods and services are allowed us to netting off the exports against import. Both are contradictory with each other as the 10AA are require to brought the money in India within 6 months in convertible foreign currency and in the RBI master direction already are allowed the netting off as deemed realisation of exports. Kindly discuss with authorities and suggest us that the netting off provisions are applicable on SEZ to avail the benefit under section 10AA new provision (money brought in convertible foreign currency within 6 months from end of FY). Can we avail the benefit of 10AA with netting off?"

"In the newly inserted sub-section (4A) to section 10AA of the Income Tax Act, 1961 (ITA) what would constitute 'deemed receipt of export proceeds in India' also has been defined. The Explanation 2 to section 10AA(4A) states that: "The sale of goods or provision of services shall be deemed to have been received in India where such export turnover is credited to a separate account maintained for that purpose by the assessee with any bank outside India with the approval of the Reserve Bank of India". However, whether 'Netting-off of export receivables against import payments' following directions specified in Para C.27 of the Master Direction – Export of Goods and Services, whether would qualify to be construed as 'deemed receipt of export proceeds in India' is yet to be clarified by the Central Government. Hence, from a pure a literal interpretation exclusively based on provision of section 10AA(4A) of the Income Tax Act, 1961 would imply that the deduction will not be available if the assessee fails to repatriate the export proceeds to India before 6 months from the end of the financial year or as may be extended by Reserve Bank of India (RBI).

However, the intention of the legislature behind the amendment is to curb any practice intended to avail tax benefits while a repatriation of export proceeds is unduly delayed. One of the conditions for netting-off as per the RBI Master Direction stipulates that: "The netting off of export receivables against import payments is in respect of the same Indian entity and the overseas buyer / supplier (bilateral netting) and the netting may be done as on the date of balance sheet of the unit in SEZ." The act of netting-off, in principle nullifies 'export proceeds receivable'. In other words, once the netting-off is done 'the proceeds from sale of goods or provision of services' itself, in substance, would become zero. Further, the netting-off of export receivables against import payments is a valid method of settlement of 'export receivables' and 'import payables' permitted by the RBI which is the competent authority in terms of FEMA regulations as well as for the purpose of section 10AA(4A) of the ITA. Construing the amendment to section 10AA as a mandate negating the possibility of bilateral netting would result in insistence of a two-way traffic of a same sum of amount among the same parties.

In this regard, we refer to the decisions in J.B. Boda & Co. (P.) Ltd. v. Central Board of Direct taxes [1996] 89 Taxman 311 (SC), Assistant Commissioner of Income-tax v. DQ Entertainment (International) Ltd [2015] 54 taxmann.com 12 (Hyderabad - Trib.), Core Jewellery (P.) Ltd. v. Income-tax Officer, Ward 8(1) (2) [2012] 18 taxmann.com 82 (Mum.), where the apex court and tribunal held that there is no requirement of two way traffic of same amount and netting off of export receivables against import is an allowable mechanism to be considered while determine the eligible deduction with respect to export turnover. The above judicial precedents do not outrightly states that bilateral netting is equivalent to 'deemed receipt of export proceeds', however the decisions endorses bilateral

		<p>netting as a permissible mechanism to be considered while analysing the question of law concerning allowability of deduction under the ITA concerning assessee's earning export income.</p> <p>Hence, the assessee may highlight the bilateral netting, if done within the stipulated time as specified u/s 10AA(4A), as a valid mechanism for realization of the export proceeds as approved mechanism by the 'competent authority' itself which resulted in fair compliance to the Income Tax Act, 1961. The above view is derived based on principles of harmonious and beneficial construction of the law referring to the rationale outlined in available judicial precedents on similar matters, and may not be considered as a conclusive opinion. The above position may require detailed analysis based on the facts of the case.</p>
<p>130</p>	<p>"Request you to pls. give clarity on , Deposit to be accepted from Personal Resident in India. As per FEMA regulations, Foreign Exchange Management (Deposit) Regulations, 2000</p> <p>3. Restrictions on deposits between a person resident in India and a person resident outside India :-</p> <p>Save as otherwise provided in the Act or Regulations or in rules, directions and orders made or issued under the Act, no person resident in India shall accept any deposit from, or make any deposit with, a person resident outside India: Provided that the Reserve Bank may, on an application made to it and on being satisfied that it is necessary so to do, allow a person resident in India to accept or make deposit from or with a person resident outside India.</p> <p>With reference to the same, can a unit accept deposit from persons resident in India?"</p>	<p>"As per the provisions of section 2(v) of the Foreign Exchange Management Act, 1999 (FEMA), ""person resident in India"" means—</p> <p>(i)[relevant for individuals only].....,</p> <p>(ii) any person or body corporate registered or incorporated in India,</p> <p>(iii) an office, branch or agency in India owned or controlled by a person resident outside India,</p> <p>(iv) an office, branch or agency outside India owned or controlled by a person resident in India;</p> <p>Further, for the purpose of FEMA, ""person resident outside India"" means a person who is not resident in India (section 2(vi)). As far as FEMA is concerned, a SEZ unit fulfilling the conditions specified u/s 2(v) (as highlighted above) will be construed as 'person resident in India'. The restriction specified under the regulation 3 of the Foreign Exchange Management (Deposit) Regulations, 2016 concerns only 'deposits between a person resident in India and a person resident outside India'. Accordingly, a SEZ unit can receive deposits from a person resident in India from a FEMA perspective.</p> <p>However, acceptance of deposits from persons resident in India by a SEZ unit (which is a person resident in India) shall be subject to restrictions/conditions/rules/regulations specified under other laws applicable to the SEZ unit such as the provisions of section 73 to 76A of the Companies Act, 2013 in case of companies, terms undertaken while obtaining letter of approval by the SEZ unit, etc.</p> <p>Kindly note that the above may need detailed review and analysis based on facts of specific case in hand."</p>

<p>131</p>	<p>"In September 2018, Rule 19(2) of the SEZ Rules was amended to include the below para with no corresponding amendment in Income Tax Act. "Provided also that the Approval Committee may also approve proposals for merger of Letters of Approval of two or more Units of the same company or firm subject to the condition that these Units fall within the same Special Economic Zone and after merger, block period for calculation of Net Foreign Exchange shall be from the date of commencement of production of the Unit which commenced operation first and the Income tax exemption period shall be considered from the date of start of operation of the first Unit" We have 3 different Letter of Approvals (3 SEZ units) in Seepz Sez, and presently we are not claiming Tax exemption under section 10AA of the Income Tax Act.</p> <p>Whether Rule 19(2) would have retrospective effect for the past years tax exemption claimed under section 10A/10AA and the merger of the LOAs of our Units 2 and 3 with Unit 1 will have any impact on the tax exemption claimed in the previous years in light of Rule 19(2) of the SEZ Rules. Or it would impact only those units which are availing deduction under section 10AA of the IT Act as on date of the merger prospectively.</p> <p>Unit 1: commenced in 1995 - Exemption exhausted u/s 10A</p> <p>Unit 2: commenced in 2003 - Exemption u/s 10AA claimed till FY 17-18</p> <p>Unit 3: commenced in 2012 - Exemption u/s 10AA claimed till FY 18-19"</p>	<p>"In view of the given understanding read with rule 19(2) of SEZ Rules, please note that at the time of merger of SEZ units, Income tax exemption period shall be considered from the date of commencement of operation of the first unit. Relevant extract of Rule 19(2) of SEZ Rules, 2006 has been reinstated below for your quick reference: "Provided also that the Approval Committee may also approve proposals for merger of Letters of Approval of two or more Units of the same company or firm subject to the condition that these Units fall within the same Special Economic Zone and after merger, block period for calculation of Net Foreign Exchange shall be from the date of commencement of production of the Unit which commenced operation first and the Income tax exemption period shall be considered from the date of start of operation of the first Unit."</p> <p>Basis above, it can be construed that after the merger of all three units, the period for income tax exemption will be calculated from the date when the first unit i.e. Unit-1, commenced its operations (i.e. Year 1995). However, since the time limit for availing tax exemption has already passed, per our understanding, exemption under income tax would not be applicable for said merger."</p>
<p>132</p>	<p>"Due to the impact of COVID pandemic , being an Information technology company developing web and Mobile Applications, the operation commencement date is 01/07/2021 as per SEZ records. The company has incurred the expenses for software development in March 2021 itself. Considering the above facts of the case, as specified in 10AA section, please guide whether the company is eligible to claim the benefit having commenced the activities on or before 01/04/2021."</p>	<p>"Query: SEZ Unit approved on 15 March 2021 and commenced the operation during F.Y 2020-21, whether eligible to claim deduction u/s 10AA of the Income Tax Act, 1961? GT Response: The Taxation and Other Laws (Relaxation and Amendment of certain provisions) Act, 2020 ("TOLA"), had extended the sunset period for commencement of operation of an SEZ unit for claiming tax holiday benefit u/s 10AA of the Income Tax Act, 1961 ("ITA"). As per the provisions of Sec.10AA of the ITA r.w.s 3(1)(ii) of the TOLA, an SEZ unit that obtained the Letter of Approval ("LOA") on or before 31 March 2020 and commenced operations on or before 31 March 2021, may claim the deduction under Sec.10AA if all eligibility conditions/criteria relating to the formation of the Unit and other matters specified in the provisions of Sec.10AA of the ITA are duly complied with. In the present case, we understand that the LOA was issued only on 15 March 2021 (i.e. after 31 March 2020). Hence, as per the above discussed provisions, the SEZ unit of Techware Lab (P) Limited will not be eligible to claim the deduction u/s 10AA of the ITA."</p>

133	<p>"We Om Nanotech Pvt. Ltd. are Noida SEZ unit. We are manufacturer of RAM (Random Access Memory). We use to Export and make DTA sale as well along with 3 year warrantee (Repair/Replacement). As usual practice, whenever any of our products develops any fault, our customers use to send back the faulty products for repair / replacement within the warrantee period. This complete cycle of receiving faulty products from customer and shipping back the repaired / replaced products takes 30 days approx. One of our customers at Hong Kong is facing huge problem due to such a long period of 30 days required to get back the repaired / replaced products. Now, he proposes that he shall be sending back the faulty products as usual but does not want to get back the product. Instead, he wants that he shall be reimbursed the invoice value of the concerned goods (faulty products). In view of the above, we request your good selves to kindly advise if we shall be able to pay back the customer from the perspective of RBI (FEMA guidelines)."</p>	<p>"The company may approach the AD – I Bank through whom the export proceeds were originally realized, and request for a refund of export proceeds of goods exported from India which are being re-imported into India on account of poor quality. The company would be required to furnish the following documents to the AD- I Bank to process the refund; A certificate issued by DGFT / Custom authorities that no export incentive has been availed by the exporter against the relevant export or the proportionate incentives availed, if any, have been surrendered; An undertaking from the exporter that the goods will be re-imported within three months from the date of remittance. The AD – I Bank may also require such other details and explanations to be furnished by the company to verify the track record of the company as an exporter and the bonafides of the transactions and completeness of procedures regarding re-import of the goods to India. The direction/guidelines concerning the facilitation of refund of export proceeds are contained in the Master Direction – Export of Goods and Services (Part D.2) [updated as on 01.01.2021) and the circular RBI/2006-2007/313 A. P. (DIR Series) Circular No. 37 dated 04 April 2007 (notifying the liberalized provisions for refund of export proceeds on account of poor quality of goods on re-import basis) issued by the RBI."</p>
134	<p>"We are having two export units, one at Cochin Special Economic Zone and another one an EOU Unit. We are having a DTA Unit also. We would like to get your advice on the following matter.</p> <ol style="list-style-type: none"> 1. We have generated a lumpsum MAT credit available at SEZ unit account. As we generate profit in EOU and DTA units, can we set off the the MAT credit available at SEZ unit account against the income tax payable at EOU and DTA units. We need to know the conditions and procedures of setting of the MAT against tax payable at EOU exports and DTA domestic sales. 2. Whether the income derived from Exchange Rate Variation are taxable under IT Rules. Will it be treated as a capital gain, if so, how it works? whether can it be set off in any manner" 	<p>"Query 1. Yes. The provisions concerning MAT liability and carry-forward and set-off of MAT paid applies on PAN basis i.e. company as a single entity. Since AY 2012-13, there is no differentiation on applicability of MAT provisions to an assessee being a company on the basis of nature of business-unit/ activity deriving the income (viz. income accruing from SEZ units or DTA units). Therefore, if the company have accumulated balance on account of MAT paid during earlier years computed basis the provisions of Sec. 115JB as applicable for the relevant periods, it could utilize such balance as a tax credit against the income tax liability computed as per the normal provisions of the ITA during the relevant future assessment years subject to conditions/limitations prescribed u/s 115JAA. Query 2. Gain arising on account of foreign exchange ("forex") fluctuations shall not constitute capital gain. Forex fluctuation gains arising on account of regular revenue account transactions (e.g. settlement of foreign currency trade payable) of the company shall form part of the taxable business profit. However, tax treatment of forex gain/ loss on account of capital transactions would differ from case to case and would require detailed analysis basis the provisions of Sec. 43A and 43AA of the ITA and the principles prescribed under the Income Computation and Disclosure Standard - VI."</p>
135	<p>"I have a query. Is Income tax exemption for SEZ units of 50% of the ploughed back export profit for last 5 years still applicable ? If yes, please provide relevant Income Tax notification details which I can forward to our CA."</p>	<p>"With reference to your query in trail mail, please note that the income tax exemption for SEZ units of 50% of the ploughed back export profit for the last 5 years is applicable for units which have commenced operations before 1st April 2021. Copy of relevant provision has been enclosed for your reference."</p>

<p>136</p>	<p>Whether TCS on sale of goods mandated by Sec.206C(1H) of the Income Tax Act, 1961 is applicable on DTA Sales undertaken by an EOU/SEZ</p>	<p>“The newly inserted sub-section (1H) in Sec.206C of the Income Tax Act, 1961 mandates the applicability of TCS on the sale of goods other than for export. As per the provisions of Sec.206C(1H), a seller shall be liable to collect TCS @ 0.1 % (1% upon non-furnishing of PAN) on the amount of consideration received in excess of INR 50 lakh during a financial year from a buyer. For the aforesaid section (as per Explanation to Sec.206C(1G)); “buyer” means a person who purchases any goods, but does not include,—</p> <p>(A) the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; or</p> <p>(B) a local authority as defined in the Explanation to clause (20) of section 10; or</p> <p>(C) a person importing goods into India or any other person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein;</p> <p>The definition of the term ‘a person importing goods into India’ is not provided in the Income Tax Act, 1961. The SEZ Act, 2005, and FTP (2015-20) classifies the sale of goods from DTA to any SEZ/EOU as export from India. The question of law involved in the scenario is whether a DTA Unit receiving goods under permitted route from any EOU/SEZ could be identified as a person importing goods into India to bring such transactions out of the ambit of Sec.206C(1H). In this regard, it is pertinent to note that, the levy of commercial duty/tax on transactions being a DTA Sale by an EOU or Domestic Clearance by an SEZ Unit to DTA, is effected as per provisions of the Customs Act 1962 and Customs Tariff Act, 1975. The specific mandates in this respect are provided in Sec.3(1) of the Central Excise Act, 1944 (to be read with Para.6.08 of FTP 2015-20) (for EOUs), and Sec.30 of SEZ Act, 2005 (SEZs). A transaction involving goods is taxed under the provisions of Customs Act only when the same is considered as an import to India. Therefore, from the point of levy of the tax itself, a transaction being DTA sale by EOU / Domestic Clearance by an SEZ Unit appears to be qualifying to be construed as a sale involving ‘goods produced or manufactured outside India which are imported into India’. Hence, on a harmonious reading, it could be concluded that a DTA unit purchasing goods from an EOU may qualify to be a person importing goods into India and hence any sale transaction with such buyer shall not be subjected to TCS u/s 206C(1H). “</p>
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"We have received order from M/S. Larson & Turbo – Kuwait, End user Kuwait oil company - Kuwait. In this connection, we have ordered one component namely Actuator to M/s. Bernard France, as per the End user requirement. Delivery date for the shipment is 20th October, 2020. Understand from M/s. Bernard France they are manufacturing the component in India at M/s. Rotex Manufacturers & Engineers private Limited., Mumbai. To achieve delivery date and to avoid liquidated damages, we planned to pick up the material from Mumbai. In this connection, we need your confirmation

- 1) We have to make our payment to our vendor to M/s Bernard France as per our purchase order terms. P.O No. 1919865 and 2005964 copy of the purchase order attached.
- 2) Please advise the documents required and procedure to be followed. Other details: We M/s. Severn Glocon India Private Limited., Chennai – India. Order received from L & T Kuwait. End user also located at Kuwait.

As per condition of End user of the Project, We need use Bernard France Actuator. M/s Bernard France and M/s. Rotex Manufactures - Mumbai are already having Joint venture agreement. They are manufacturing the our Actuator at M/s. Rotex Manufactures - Mumbai. M/s. Bernard France is not registered in India. (GST Act). We have submitted our Purchase Order of M/s. Bernard, Tri-party agreement, L&T Kuwait Purchase order and End User approved vendor list."

- As per section 2(p) of Foreign Exchange Management Act, 1999 (FEMA) import means bringing into India any goods or services. So for a transaction to be regarded as import there should be physical movement of goods from outside India to India. In the instant case goods are sourced by Severn within India i.e. from Rotex Mumbai. As the supply is entirely within India it will not be considered as import.
- Further extant Master Directions on Import envisage provisions for third party payments in relation to import of goods. But there is no provision permitting supply of goods by a third party.
- As the purchase of goods from Rotex Mumbai (domestic supply) creates a liability outside India (i.e. payable to Bernard France) it is a capital account transaction. As per section 6 of FEMA a resident may draw foreign exchange for a capital account transaction only if it is specifically permitted under the Act, rules or regulations; and if not, upon obtaining the prior approval of RBI. Further, section 3 of FEMA provides in this regard that no person shall make any payment to or for the credit of any person resident outside India in any manner unless permitted under the provisions of the Act, rules or regulations.
- There is no general permission under FEMA or its regulations for payment to a non-resident for domestic supply of goods. In the absence of a specific provision, prior RBI approval would prima facie be required for making the payment to Bernard France.
- However, it may also be noted that the definition of current account transaction specifically includes payments in connection with foreign trade. But this specific inclusion can be applied only when a transaction falls outside the purview of a capital account transaction.
- Hence we are of the view that Severn
 - o would prima face require RBI approval;
 - o however, Severn may enquire with its AD banker whether such transactions, being payments in connection with foreign trade, are treated as current account transactions without being subjected to the rigor of the definition of capital account transaction
- Where AD banker treats the transaction as current account transaction, remittance to Bernard France would be freely permitted. This position is however not free from the risk of contravention when considering extant FEMA provisions in their strict sense."

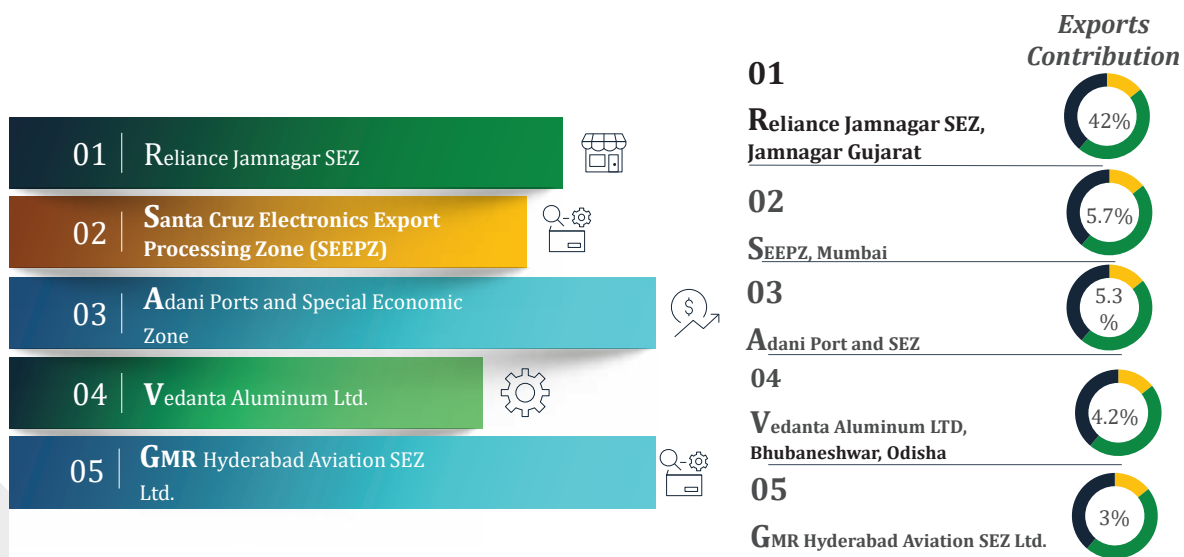
<p>138</p>	<p>"I want to know the applicability of section 206C(1H) of income tax on following transactions through SEZ unit.</p> <ol style="list-style-type: none"> 1. Sale by SEZ to a DTA unit under cover of bill of entry (DTA Sale) 2. Export through Merchant Exporter where goods exported out of India on the basis of shipping bill filed in SEZ Online --- In this transaction SEZ unit will get payment from his merchant buyer (domestics buyer) Sir, need your suggestion." 	<p>"As per section 206(1H) of the Income-tax Act, 1961, a seller is required collect tax @ 0.1% of consideration received on sale of goods exceeding INR 50,00,000, at the time of receipt of such consideration. This rate has been reduced to 0.75% up to 31 March 2021.</p> <p>However, the provisions of Section 206(1H) shall not be applicable to goods being exported out of India or covered under sub-sections (1) / (1F) / (1G) of section 206. Moreover, the term "Buyer" shall not include a person importing goods into India. Hence, Section 206(1H) carves out only goods exported out of India / imported into India from its applicability.</p> <p>The term "India" has been defined under Income-tax Act, 1961 as follow: ""India"" means the territory of India as referred to in article 1 of the Constitution, its territorial waters, seabed and subsoil underlying such waters, continental shelf, exclusive economic zone or any other maritime zone as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976 (80 of 1976), and the air space above its territory and territorial waters.</p> <p>Please find below our responses to your queries:</p> <ul style="list-style-type: none"> • In the case of a DTA Sale, the goods remain within Indian and hence would not be treated as "goods being exported out of India" or "import of goods into India". Hence, in the present scenario the SEZ unit (seller) would be liable to collect tax @ 0.75% from the DTA unit (buyer) if the consideration for the goods sold exceeds INR 50,00,000 since the said transaction would not be covered in the aforementioned relaxations. • In the case of exports through merchant export, we understand that the SEZ unit would directly export the goods manufactured and only consideration would be received from the merchant exporter. Basis this understanding, we are of the opinion that tax need not be collected at source from the merchant exporter since the consideration is received for sale of goods being exported out of India."
<p>139</p>	<p>"We are a manufacturing company engaged in manufacture of packing cartons and based out of CSEZ. Our customers are spread all over South India. We export to Middle East and we cater to 100% EOU , customers based within SEZ and DTA units We also bill in USD to some 100% EOU customers to improve our net Foreign Earnings Request you to kindly arrange to clarify the following:</p> <ol style="list-style-type: none"> (2) Is Sec 206C(1H)- wef 1st Oct 2020 applicable on billings to 100% EOU and billings in USD. If applicable , how to show it in the invoice (3) What is the rate of TCS in the above case-0.1% or .075%" 	<p>"2. As per section 206(1H) of the Income-tax Act, 1961, a seller is required collect tax @ 0.1% of consideration received on sale of goods exceeding INR 50,00,000, at the time of receipt of such consideration. This rate has been reduced to 0.75% up to 31 March 2021. However, the provisions of Section 206(1H) shall not be applicable to goods being exported out of India or covered under sub-sections (1) / (1F) / (1G) of section 206. Moreover, the term "Buyer" shall not include a person importing goods into India. Hence, Section 206(1H) carves out only goods exported out of India / imported into India from its applicability. The term "India" has been defined under Income-tax Act, 1961 as follow: ""India"" means the territory of India as referred to in article 1 of the Constitution, its territorial waters, seabed and subsoil underlying such waters, continental shelf, exclusive economic zone or any other maritime zone as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976</p>

		<p>(80 of 1976), and the air space above its territory and territorial waters. Hence, where the goods do not leave the territorial waters of India, TCS shall be applicable on the transaction. Therefore, for 100% EOU sales, TCS would be applicable as the goods do not leave the territory of India.</p> <p>4. At the time of clearance of goods for import not coming under the authorized operations, GST will have to be discharged at the time of clearance. In all other circumstances, the unit can discharge GST while filing the GSTR 3B."</p>
<p>140</p>	<p>"We, Metadata Technologies, a Special Economic Zone unit operating in SmartCity, Cochin since 2018. This is to invite your kind attention regarding our below query: Eligibility to claim 10AA deduction under Income Tax for a unit transferred from DTA to SEZ. A DTA unit is transferred their entire business to SEZ in 2018 and have no other branches anywhere. FY 2018-19 was the first financial year in SEZ. Unit has achieved profit in that year but they have 'carry forward loss' to set off. Also in FY 2019-20, unit has achieved profit.</p> <p>1) Since it is a SEZ unit, can they take Tax holiday exemption in FY 2019-20? 2) Or the unit has any restrictions to claim the exemption?"</p>	<p>"Eligibility to claim 10AA deduction under Income Tax for a unit transferred from DTA to SEZ – Would request the Company to elaborate on the transaction and highlight the nature of transfer. Can we claim the refund of IGST paid for our expenses in SEZ- Yes. SEZ units are eligible to claim refund of IGST paid provided the supplier has not filed an application of refund for the same.</p> <p>Conditions with reference to the formation of a business unit in an SEZ and claim of deduction u/s 10AA thereon, are laid down in sub-section (4) of Sec.10AA. If the Company is able to substantiate that it has not violated any of the formative conditions with regard to the date of commencement of rendering of services, the unit not formed by the splitting up, or the reconstruction, of a business already in existence, and use of new plant and machinery etc., as mandated in Sec.10AA(4) with due reference to any applicable clarifications notified by the CBDT in this regard, it may qualify to claim deduction u/s 10AA."</p>
<p>141</p>	<p>"One of the unit has requested a clarification on the following :</p> <p>Quote: We are planning for space expansion for one of our existing SEZ unit which was registered during 2019 and we have started Commercial production of the SEZ Unit in December 2019. Under the same LOA we are planning for space expansion within the SEZ (Developer is same) of adjacent building. The Government has announced the direct tax benefits under the sunset clause for SEZ for the SEZ Units that have already been approved before 31/03/2020 upto 31/03/2021. Seeking clarification from your good office whether the income generated from the expansion unit is eligible to avail of the Income-tax benefits under Section 10AA of the Income-tax Act for the unexpired period of the LoA, ie. of the existing SEZ Unit. Unquote.</p> <p>I had a discussion with the DDC of CSEZ on the matter and he informs that as per the rule, the area expansion comes under the activity of the existing unit and therefore, they are eligible for the tax exemption as per the sunset clause. He however adds that the IT authorities are to take final stand which according to him would be favourable, but to be checked."</p>	<p>"The date of commencement of exports (COE) from an expansion in an existing SEZ unit is not relevant from an Income Tax Act perspective as the tax holiday eligibility will be tested in the year in which the existing unit originally commenced exports and not in the expansion year. However, kindly note that this position may need detailed review and analysis basis facts of specific case in hand."</p>

<p>142</p>	<p>"Please let us know the clarification on the below scenarios;</p> <p>a. If the unit (transferred from DTA to SEZ) qualifies the conditions on date of commencement of production but they haven't claimed tax holiday benefit for first financial year. In this case, Is the unit eligible to claim the exemption in the second financial year?</p> <p>b. If the unit (transferred from DTA to SEZ) doesn't qualify the conditions on the date of commencement of production and they haven't claimed tax holiday benefit for first financial year. Also the unit has qualified the conditions on 01st April of next financial year in SEZ. In this case, Is the unit eligible to claim the exemption in the second financial year?"</p>	<ol style="list-style-type: none"> 1. An existing business transferred from DTA to sez does not qualify for section 10AA benefits for the life of the unit. 2. If the conditions of Section 10AA are not satisfied in one year, then the claim of 10AA cannot subsist for future years"
<p>143</p>	<p>"We, M/s.Unipower Transformers Pvt. Ltd is an EOU unit at Cochin, manufacturing and exporting transformers to Canada. We have already shipped 24 nos(12 containers) of 5 MVA transformers and the first two numbers were failed in testing. We have to take back the failed units and replace with new one. In this connection, we wish to have your firm opinion on the following.</p> <ol style="list-style-type: none"> 1. A failed product: Is there any provision for scrapping the failed product at a foreign country ? If there is provision, kindly furnish the relevant customs/RBI rule. 2. Replacement against a failure product: whether it can be shipped in ""NIL"" payment invoice/shipping Bill, without getting back the failed product. The relevant rules may also be furnished " 	<p>"Scraping of defective exported goods: The RBI regulations with respect to export of goods and realization of proceeds are governed by the Foreign Exchange Management (Export of Goods and Services) Regulations, 2015. There are no provisions in FEMA regulation dealing directly with a scenario involving 'scrapping' of goods exported, which is found defective, in overseas market. However, from the FEMA Regulations' perspective, this would imply realization of export proceeds less than the amount of full export value (ascertained value/ expected realizable value) of goods as declared in the export declaration (Form EDF) at the time of initiation of export. Subject to detailed review of facts of the case, the scrapping of defective exported goods may qualify to be a sufficient ground to prove exporters' effort to realize and repatriate the export proceeds to India within the specified period of 9 months from the date of export. Accordingly, the exporter may approach the Authorized Dealer to effectuate write-off of the unrealized export value subject to fulfillment of conditions stipulated by the RBI in its circular dated 12 March 2013 regarding "Write-off" of unrealized export bills – Export of Goods and Services – Simplification of procedure (RBI/2012-13/435, A.P. (DIR Series) Circular No. 88).</p> <p>2. Export of replacement goods: As per Regulation (4)(h) of the Foreign Exchange Management (Export of Goods and Services) Regulations, 2015, the export of goods may be made without furnishing the declaration wherein the transaction involves replacement of goods exported free of charge in accordance with the provisions of the FTP for the time being in force. Further, as per Para.2.48 of the Foreign Trade Policy 2015-20, goods or parts thereof on being exported and found defective/damaged or otherwise unfit for use may be replaced free of charge by the exporter and such goods shall be allowed clearance by Customs authorities, provided that replacement goods are not mentioned as restricted items for exports in ITC (HS). However, kindly note that the aforesaid positions may need detailed review and analysis basis facts of specific case in hand"</p>

144	We request you to kindly confirm if TCS under section 206C(1H) of Income Tax Act applicable w.e.f. 1st October 2020 is applicable or not to supply of goods and services made by DTA suppliers to SEZ Developer/units for their authorized operations	Prima facie, supply of goods from DTA to SEZ will not be covered under the exemption (export out of India) provided under the aforementioned section. Therefore it appears TCS will be applicable on supply of goods from DTA to SEZ.
145	"This query is in furtherance to query asked on 24/12/2020. One more question. Would like to know if there is any issue in executing this transaction from RBI/FEMA perspective."	"Please find below response to your query: Query: RBI/FEMA regulations to be considered in relation to bill-to, ship-to transaction involving overseas and domestic parties regulations? GT Response: As per Sec.2(l) of the Foreign Exchange Management Act, 1999 "export", with its grammatical variations and cognate expressions, means— (i) the taking out of India to a place outside India any goods, (ii) provision of services from India to any person outside India; The present transaction involving supply of goods to domestic location basis instruction from overseas customers may not qualify to be considered as 'export' from the perspective of FEMA as no portion of goods are taken to a place outside India nor any services are provided from India to any person outside India. Further, we understand that the payment is expected to be received directly from an overseas entity. Therefore, from the FEMA/FBI perspective the critical aspect to be considered shall be ensuring that the receipt of sale proceeds being be structured in manner congruent to conditions specified in Regulations 3 & 4 of Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2016 notified by the RBI vide Notification No. FEMA 14(R)/2016-RB (as amended from time to time) to the extent applicable to remittance from overseas being payment for transactions other than exports after considering the country/region where the overseas customer is located."

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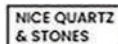


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Quick Estimates For Selected Major Countries for September Trade - Exports

(in Mn USD)

Sl. No.	Countries	(Values in Million USD)				% Change	
		September '23	Apr'23-September '23	September '24	Apr'24-September '24	September '24	Apr'24-September '24
1	U S A	6073.9	38234.7	6376.1	40375.9	5.0	5.6
2	U Arab Emts	2354.3	15467.6	2913.3	17238.2	23.8	11.5
3	Netherland	1509.4	9593.8	2092.1	13117.9	38.6	36.7
4	U K	1025.9	6509.5	1033.4	7317.0	0.7	12.4
5	China P Rp	1297.3	7626.4	1114.3	6913.2	-14.1	-9.4
6	Singapore	1061.7	6337.8	861.0	6465.6	-18.9	2.0
7	Saudi Arab	826.0	5268.4	834.7	5458.9	1.1	3.6
8	Bangladesh Pr	869.7	5045.0	860.8	5119.5	-1.0	1.5
9	Germany	775.4	4847.5	877.0	5072.7	13.1	4.7
10	South Africa	592.3	4214.0	671.6	4118.4	13.4	-2.3
11	Malaysia	698.5	3198.1	590.9	4090.8	-15.4	27.9
12	France	670.9	3782.9	745.3	4082.8	11.1	7.9
13	Australia	461.8	4896.4	487.5	3993.8	5.6	-18.4
14	Italy	538.6	4261.3	531.8	3700.4	-1.3	-13.2
15	Brazil	424.1	3429.9	602.1	3595.8	42.0	4.8
16	Nepal	560.4	3653.2	597.7	3511.3	6.7	-3.9
17	Belgium	658.8	4226.0	558.6	3246.0	-15.2	-23.2
18	Mexico	382.0	2553.8	504.1	3083.8	32.0	20.8
19	Hong Kong	1253.8	3994.0	947.4	3025.4	-24.4	-24.3
20	Japan	429.3	2498.3	585.3	3021.2	36.4	20.9
	Sub-Total	22463.7	139638.7	23784.8	146548.7	5.9	5.0
	Grand Total	34408.0	211079.4	34582.2	213222.3	0.5	1.0

"Note 1: Grand total is inclusive of all countries.

Note 2: The figures for SEPTEMBER'24 are provisional."

QUICK ESTIMATES FOR SELECTED COUNTRIES FOR SEPTEMBER 2024

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Export Promotion Council for EOUs & SEZs (EPCES), is a multi-product Export Promotion council, set up by the Ministry of Commerce and Industry in January 2003, represents interest of SEZ units, developers, and Export Oriented Units. As of 31.03.2024, EPCES has 5971 members, including 4629 SEZ units, 384 SEZ developers, and 958 EOUs. In FY 2023-24, SEZs exported goods and services worth \$157.34 billion, accounting for 20.2% of India's total exports. Goods exports from SEZs were \$63.04 billion (14.4% of India's total goods exports of \$437.06 billion), and services exports were \$94.3 billion (27.8% of India's total services exports of \$339.62 billion). Approximately 5700 units operate in 278 SEZs, employing 29.84 lakh people with a total investment of about ₹6.7 lakh crore.

Key Achievements

- Refund of Duties and Taxes on Export Products (RoDTEP) scheme has been extended to SEZs and EOUs vide notification No 70/2023 dated 8.3.2024. For EOUs, it is effective 11.3.2024 as EOUs are already integrated with ICEGATE. In case of SEZs, the scheme will be effective on IT integration of SEZs with ICEGATE with effect from 1.7.2024.
- Mandatory Quality Control Orders issued by M/o Steel, M/o Textiles, D/o for Promotion of Industry and Internal Trade and D/o Pharmaceuticals and Chemicals have been exempted for imports by SEZs and EOUs for exports purposes vide DGFT notification No 71/2023-24 dated 11.3.2024.
- IT/ITES SEZs can now serve the Domestic Tariff Area by demarcating non-processing areas under new SEZ Rule 11B (Vide Notification No. GSR 881(E) dated 6.12.2023). Clarifications have been issued vide Instruction No. 115.
- SEZ units have been exempted from the Safeguard Quantitative Restrictions imposed on import of Isopropyl Alcohol vide DGFT Policy Circular 4 dated 31.8.2023.
- Department of Commerce vide letter dated 3.10.2023 has clarified that Zero-rating benefit for lease rentals and charges for employee welfare facilities in SEZ units will continue.
- SEZ units and EOUs have been exempted from obtaining a "restricted import authorization" for IT hardware imports for captive use, as per Notification 23/2023 and DGFT Policy Circular No. 6 dated 19.10.2023
- DGFT, vide Notification No 56/2023 dated 1.1.2024, amended Para 2.31 of the FTP giving special exemption from restrictions to movements of used IT assets (Laptops, desktops, monitors, printers) from SEZ to DTA
- IT/ITES developers and SEZ units have been allowed to install rooftop solar power plants with fiscal, benefits for captive/common use
- GST council has, on 22.6.2024, recommended exemption from Compensation Cess on imports by SEZ units/ developers.

Shri Srikanth Badiga

Chairman EPCES

Director, Phoenix Infocity Pvt. Ltd.

Email: Chairman@epces.in

Shri Alok Chaturvedi IAS (Retd.)

Director General EPCES

Email : dg@epces.in



Export Promotion Council for EOUs & SEZs

(Set up by Ministry of Commerce & Industry, Government of India)

A101, 10th Floor, Himalaya House, 23, Kasturba Gandhi Marg, New Delhi - 110001

Email : epces@epces.in Website : www.epces.in