



EXPORT PROMOTION COUNCIL FOR EOUs AND SEZs

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

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**Circular No. 470
Dated 24.06.2024**

Dear Member,

Subject: Recommendations of GST Council on Exemption of Compensation Cess on Imports in Special Economic Zones (SEZs)

This is regarding exempting all goods imported by a unit or a developer in the Special Economic Zone for authorized operations from the compensation cess leviable thereon under subsection 9 of Section 3 of the Customs Tariff Act, 1975.

Currently, goods imported by units or developers in SEZs for authorized operations are exempt from Integrated Tax under Notification No. 64/2017-Customs dated 5th July 2017 and Notification No. 18/2017-Integrated Tax (Rate) dated 5th July 2017. However, Compensation Cess was not included in these exemptions. Whereas, Export Oriented Units (EOUs) have been exempted from both Integrated Tax and Compensation Cess as per Notification No. 78/2017-Customs dated 13th October 2017 and Notification No. 37/2022-Customs dated 30th June 2022.

Thereafter, the issue has been exacerbated by a recent order dated 21st November 2023 from the Hon'ble AP High Court (WP No. 1009 of 2019 and WP No. 6216 of 2021), highlighting the absence of Compensation Cess exemption for SEZ imports due to the non-inclusion of the GST (Compensation to States) Cess Act, 2017 in the SEZ Act 2005 or Section 26 of the SEZ Act.

Furthermore, the SEZ Act has not been updated since the introduction of GST, and the previously mentioned notifications do not address Compensation Cess. This has created challenges for SEZ units when importing goods subject to Compensation Cess. EPCES has raised this issue with the Department of Commerce, Department of Revenue, and the Director General of Export Promotions at CBIC.

Now, during the 53rd GST Council Meeting held on 22nd June 2024, it was recommended to exempt SEZ imports from Compensation Cess starting retrospectively from 1st July 2017. This decision aims to resolve the operational difficulties encountered by SEZ units and developers.

Attached for your reference are copies of relevant notifications and court orders pertaining to this matter.

Sincerely,

EPCES