



QUERY LOG: TAX & REGULATORY

BDO INDIA
February 2026

Only for EPCES and its members

Query Log : 1st February 2026 to 28th February 2026

S. No.	Querist Name	Category	Query from member	Response by BDO Team
1.	Gurdeep Saini GM - Accounts	EOU	<p>We hereby submit the theoretical yield of Glycerin along with the example of input-output consumption details and the basis adopted by us for calculation of customs duty payable on DTA sale of by-products generated during the manufacture of Bio-diesel.</p> <p>1. Theoretical Yield of Glycerine</p> <p>Glycerine is an integral component of triglycerides and constitutes approximately 10-15% of the molecular weight of a triglyceride molecule. In a triglyceride, one glycerol molecule is chemically bonded to three fatty acid chains. The actual proportion may vary depending upon the fatty acid composition of the feedstock.</p> <p>Chemical Reaction:</p> <p>Triglyceride + 3 Methanol → 3 Methyl Esters (Bio-diesel) + 1 Glycerol</p> <p>Average Molecular Weights (Palm Oil Basis):</p> <p>Triglyceride: ~870 g/mol</p> <p>Methyl Ester (Bio-diesel): ~295 g/mol</p> <p>Glycerol: 92 g/mol</p> <p>Accordingly, 1 mole of triglyceride yields 3 moles of bio-diesel and 1 mole of glycerol.</p> <p>Illustrative Example - Refined POME Oil (per 100 grams):</p> <p>Refined POME oil, having been separated and concentrated, is treated as a triglyceride-based feedstock comparable to crude palm oil.</p> <p>Moles of triglyceride = $100 / 870 \approx 0.115$ moles</p>	<p>1. From the illustration provided, the Company will have to determine the content of refined POME Oil (input imported without payment of duty) in the Glycerin which is the by-product sold in DTA. If 100 kgs of refined POME Oil is imported without payment of duty and about 10% is contained in the Glycerin, then reversal of Customs duty is only limited to 10 kgs of POME Oil contained in Glycerin which is sold in DTA.</p> <p>2. There is no prescribed methodology or formula provided under the Customs Act, 1962 or Foreign Trade Policy, 2023 for calculating the value/ quantity of imported inputs contained in the by-product for the purpose of calculating the reversal of Customs duty required. The best methodology is that Company can make a standard Bill of Material (BOM) to determine the quantity of imported input which is contained in by-products cleared in DTA. Also, the Company can submit the said BOM to departmental authorities for explaining the manner/calculation for reversal of Custom duties with respect to by-products cleared in DTA.</p> <p>1. From the illustration provided, the Company will have to determine the content of refined POME Oil (input imported without payment of duty) in the Glycerin which is the by-product sold in DTA. If 100 kgs of refined POME Oil is imported without payment of duty and about 10% is contained in the Glycerin, then reversal of Customs duty is only limited to 10 kgs of POME Oil contained in Glycerin which is sold in DTA.</p> <p>2. There is no prescribed methodology or formula provided under the Customs Act, 1962 or Foreign Trade Policy, 2023 for calculating the value/ quantity of imported inputs contained in the by-product for the purpose of calculating the reversal of Customs duty required. The best methodology is that Company can make a standard Bill of Material (BOM) to determine the quantity of imported input which is contained in by-products cleared in DTA. Also, the Company can submit the said BOM to departmental authorities for explaining the manner/calculation for reversal of Custom duties with respect to by-products cleared in DTA.</p>

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1.	Gurdeep Saini GM - Accounts	EOU	<p>Products Formed:</p> <p>Bio-diesel: $0.115 \times 3 = 0.345$ moles Mass = $0.345 \times 295 = 101.8$ grams</p> <p>Glycerol: $0.115 \times 92 = 10.6$ grams</p> <p>Theoretical Yield Summary (per 100 g Refined POME Oil):</p> <p>Bio-diesel: -101.8 grams Glycerol: -10.6 grams</p> <p>This establishes that glycerine generation is theoretically in the range of 8-10% of the imported triglyceride feedstock.</p> <p>2. Example of Input-Output Statement</p> <table border="1"> <thead> <tr> <th>Input</th> <th>Purchase Type</th> <th>Qty (kg)</th> <th>% Cons</th> </tr> </thead> <tbody> <tr> <td>Refined POME Oil</td> <td>Imported W/O payment of duty</td> <td>100</td> <td>89.17</td> </tr> <tr> <td>Methanol</td> <td>Indigenous</td> <td>12.140</td> <td>10.83</td> </tr> <tr> <td></td> <td></td> <td>112.140</td> <td>100.00</td> </tr> </tbody> </table>	Input	Purchase Type	Qty (kg)	% Cons	Refined POME Oil	Imported W/O payment of duty	100	89.17	Methanol	Indigenous	12.140	10.83			112.140	100.00	<p>1. From the illustration provided, the Company will have to determine the content of refined POME Oil (input imported without payment of duty) in the Glycerin which is the by-product sold in DTA. If 100 kgs of refined POME Oil is imported without payment of duty and about 10% is contained in the Glycerin, then reversal of Customs duty is only limited to 10 kgs of POME Oil contained in Glycerin which is sold in DTA.</p> <p>2. There is no prescribed methodology or formula provided under the Customs Act, 1962 or Foreign Trade Policy, 2023 for calculating the value/ quantity of imported inputs contained in the by-product for the purpose of calculating the reversal of Customs duty required. The best methodology is that Company can make a standard Bill of Material (BOM) to determine the quantity of imported input which is contained in by-products cleared in DTA. Also, the Company can submit the said BOM to departmental authorities for explaining the manner/calculation for reversal of Custom duties with respect to by-products cleared in DTA.1. From the illustration provided, the Company will have to determine the content of refined POME Oil (input imported without payment of duty) in the Glycerin which is the by-product sold in DTA. If 100 kgs of refined POME Oil is imported without payment of duty and about 10% is contained in the Glycerin, then reversal of Customs duty is only limited to 10 kgs of POME Oil contained in Glycerin which is sold in DTA.</p> <p>2. There is no prescribed methodology or formula provided under the Customs Act, 1962 or Foreign Trade Policy, 2023 for calculating the value/ quantity of imported inputs contained in the by-product for the purpose of calculating the reversal of Customs duty required. The best methodology is that Company can make a standard Bill of Material (BOM) to determine the quantity of imported input which is contained in by-products cleared in DTA. Also, the Company can submit the said BOM to departmental authorities for explaining the manner/calculation for reversal of Custom duties with respect to by-products cleared in DTA.</p>
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1.	Gurdeep Saini GM - Accounts	EOU	<p>Output Sales Type Qty (kg) Product Wise sales % Qty Imported W/O duty Qty for Which Custom Duty to pay for DTA Sale</p> <p>Remarks</p> <table border="1"> <tr> <td>Bio-Diesel/Methyl Ester - Export</td> <td>101.14</td> <td>89.98</td> </tr> <tr> <td>100.000 0.000</td> <td>No duty payment as export</td> <td></td> </tr> <tr> <td>Glycerin - DTA Sale</td> <td>10.60</td> <td>9.43</td> </tr> <tr> <td>0.000 1.000</td> <td>Glycerin fraction about 8 to 10% in imported RM</td> <td></td> </tr> <tr> <td>Other Fatty Matters - DTA Sale</td> <td>0.66</td> <td>0.59</td> </tr> <tr> <td>0.000</td> <td>0.004</td> <td></td> </tr> <tr> <td></td> <td>100.00</td> <td>112.40</td> </tr> <tr> <td></td> <td>100.00</td> <td>100.00</td> </tr> </table> <p>3. Clarification Sought</p> <p>Based on the above technical and quantitative details, we have calculated the quantity attributable for payment of customs duty on the DTA sale of Glycerin and Other Fatty Matters.</p> <p>In this regard, we respectfully request your guidance on the following:</p> <ul style="list-style-type: none"> Whether the method adopted by us for determining the dutiable quantity of imported input contained in the by-products sold into DTA is correct. Any prescribed or acceptable methodology under the FTP, Customs Act, or relevant notifications/circulars for such calculation in the case of EOU by-products. 	Bio-Diesel/Methyl Ester - Export	101.14	89.98	100.000 0.000	No duty payment as export		Glycerin - DTA Sale	10.60	9.43	0.000 1.000	Glycerin fraction about 8 to 10% in imported RM		Other Fatty Matters - DTA Sale	0.66	0.59	0.000	0.004			100.00	112.40		100.00	100.00	<p>1. From the illustration provided, the Company will have to determine the content of refined POME Oil (input imported without payment of duty) in the Glycerin which is the by-product sold in DTA. If 100 kgs of refined POME Oil is imported without payment of duty and about 10% is contained in the Glycerin, then reversal of Customs duty is only limited to 10 kgs of POME Oil contained in Glycerin which is sold in DTA.</p> <p>2. There is no prescribed methodology or formula provided under the Customs Act, 1962 or Foreign Trade Policy, 2023 for calculating the value/ quantity of imported inputs contained in the by-product for the purpose of calculating the reversal of Customs duty required. The best methodology is that Company can make a standard Bill of Material (BOM) to determine the quantity of imported input which is contained in by-products cleared in DTA. Also, the Company can submit the said BOM to departmental authorities for explaining the manner/calculation for reversal of Custom duties with respect to by-products cleared in DTA.</p> <p>1. From the illustration provided, the Company will have to determine the content of refined POME Oil (input imported without payment of duty) in the Glycerin which is the by-product sold in DTA. If 100 kgs of refined POME Oil is imported without payment of duty and about 10% is contained in the Glycerin, then reversal of Customs duty is only limited to 10 kgs of POME Oil contained in Glycerin which is sold in DTA.</p> <p>2. There is no prescribed methodology or formula provided under the Customs Act, 1962 or Foreign Trade Policy, 2023 for calculating the value/ quantity of imported inputs contained in the by-product for the purpose of calculating the reversal of Customs duty required. The best methodology is that Company can make a standard Bill of Material (BOM) to determine the quantity of imported input which is contained in by-products cleared in DTA. Also, the Company can submit the said BOM to departmental authorities for explaining the manner/calculation for reversal of Custom duties with respect to by-products cleared in DTA.</p>
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2.	Nilesh Malavia Chief Compliance Officer Caravella Asset Management (IFSC) Private Limited	SEZ	<p>Please find attached the format of DSPF Reporting file as extracted from SEZ online. We have to enter all the details along with the Invoice & Bank statement while doing the DSPF Reporting.</p> <p>Entering of GST No. and the LUT No. of the DTA Service provider is a mandatory field to be entered.</p> <p>As the lawyer is exempt from obtained from obtaining GST on RCM basis - the lawyer does not have a GST No. and LUT No.</p> <p>We are unable to do the DSPF Reporting without entering the mandatory GST & LUT details of the DTA Service provider. (We are of the view that the form needs an amendment for services provided by GST exempted Service provider to do the DSPF reporting).</p> <p>We request you to kindly guide us on How to do the DSPF Reporting.</p>	<ul style="list-style-type: none"> In terms of Clarification F. No. 334/35/2017-TRU dated 18.12.2017 issued by CBEC (TRU), in case of procurement of services by SEZ unit from DTA unit which is subject to tax under Reverse Charge Mechanism (RCM), LUT is required to be executed by SEZ unit. Accordingly, for DSPF reporting with respect to procurement of legal consultancy services (RCM service) from DTA unit, LUT is to be executed by SEZ unit and GSTIN of SEZ unit shall have to be mentioned. Further no GST is payable by SEZ unit under Reverse Charge Mechanism (RCM) in respect of legal services received from a DTA unit.



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3.	Best regards, Manicka Kumar Assistant Manager of Customs, EXIM High Glory Footwear INDIA Pvt Ltd,	SEZ	<p>While reviewing the regulations concerning Extended Producer Responsibility (EPR) for Plastic Packaging, we observed that Condition No. 2 specifies that the said requirement may not be applicable to units operating within a Special Economic Zone (SEZ).</p> <p>As a footwear manufacturing unit located in an SEZ, we are planning to import polythene wrappers/plastic packaging materials for packing our finished goods. In this context, we understand that the above condition may exempt SEZ units from the applicability of EPR obligations for such packaging materials.</p> <p>Based on our reading, we believe that this specific compliance requirement may not be applicable to our operations. However, before proceeding further, we seek your kind guidance to confirm whether our interpretation is correct and fully aligned with the current regulatory provisions.</p> <p>For your reference, we have attached the relevant extract/notification of the regulation for your review.</p> <p>We request EPCES to kindly examine the same and advise us on the applicability or any compliance requirements to be followed by our unit.</p>	<p>1. As per the Plastic Waste Management (Second Amendment) Rules, 2023, EPR guidelines shall not apply to the EOU, SEZ units, and to other units manufacturing plastic packaging or on plastic packaging used for packaging products for export against an order for export except for pre-consumer plastic waste.</p> <p>2. Further, Pre-consumer plastic packaging waste means plastic packaging waste generated in the form of reject or discard at the stage of manufacturing of plastic packaging and plastic packaging waste generated during the packaging of product including reject, discard, before the plastic packaging reaches the end-use consumer of the product.</p> <p>3. Accordingly, if the Company falls under the aforesaid category of pre-consumer plastic waste, EPR registration will be required to be obtained before importation of goods.</p>

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4.	Sudeep Mgr-Finance(Business Park)	SEZ	<p>We also seek your clarification regarding the applicable GST treatment on Vendor invoices in respect of common area services, in light of partial denotification and duty benefits already paid.</p> <p>In this context, we request your clarification on whether Vendor invoices pertaining to common area services should be raised with IGST or with CGST +SGST , post partial denotification.</p> <p>-----</p> <p>-----</p> <p>Would also request you to confirm whether invoices to tenants in NPA are to be raised with IGST or CGST+SGST.</p> <p>-----</p> <p>-----</p> <p>Do we need to apply a new DTA GST registration for NPA or can we continue with the existing SEZ GST registration?</p>	<ol style="list-style-type: none"> As per Rule 11B(10) of SEZ Rules, 2006 IT/ITES Units in a non-processing area shall be subject to provisions of all Central Acts and rules and orders made thereunder, as are applicable to any other entity operating as a DTA/STPI/EOU/EHTP. Accordingly, a separate GST registration would be required to be obtained.

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5.	Manicka Kumar Assistant Manager of Customs, EXIM High Glory Footwear INDIA Pvt Ltd,	SEZ	<p>We are currently planning to import certain Wi-Fi enabled devices as per the enclosed product catalogue.</p> <p>During our review of the applicable regulations, we referred to Notification No. G.S.R. 45(E) issued by the Wireless Planning & Coordination (WPC) Wing, which specifies that the use of wireless equipment operating in the frequency band 2.4 GHz to 2.4835 GHz is exempted from licensing requirements.</p> <p>Further, the attached device specification/screenshot confirms that the operating frequency of our equipment falls within the 2.4 GHz band.</p> <p>We also noted the Office Memorandum dated 26 February 2019, which states that for such exempted frequency bands, a self-declaration from the importer/authorised Indian representative may be treated as sufficient for processing clearances by Customs authorities.</p> <p>Based on the above, our understanding is that:</p> <ul style="list-style-type: none"> • WPC/ETA license may not be required for this device, and • submission of a self-declaration should be sufficient for import clearance. <p>We request EPCES to kindly review the attached documents and confirm whether our understanding is correct or advise if any additional approval/compliance is required from our side before proceeding with the import.</p>	<p>1. As per Office Memorandum dated 26.02.2019 issued by Department of Telecommunication, Equipment Type Approval (ETA) through self-declaration is required by importer for import of commercial/ finished products operating in licensed exemption band as approved in India for the purpose of test/ sample/ prototype.</p> <p>2. As per Use of low power Equipment in the frequency band 2.4 GHz to 2.4835 GHz (Exemption from Licensing Requirement) Rules, 2005, no licence shall be required by any person to establish, maintain, work, possess or deal in any wireless equipment, on non-interference, non-protection and shared (non-exclusive) basis, in the frequency band 2.4 GHz to 2.4835 GHz with the transmitter power.</p> <p>3. Accordingly, in terms of Use of low power Equipment in the frequency band 2.4 GHz to 2.4835 GHz (Exemption from Licensing Requirement) Rules, 2005 no license shall be required for 2.4 GHz Wi-Fi Enabled Devices.</p>
6.	Abdur Rahman Musba Head Finance Cardolite Specialty Chemicals India LLP Mangalore Special Economic Zone	SEZ	<p>Have sold 8 drums of finished goods from SEZ unit to DTA Customers on delivered basis. The Bill of Entry was filed by SEZ unit on behalf of the DTA Customer. Out of the 8 drums, 3 drums was damaged. Only the drums was damaged and the finished goods was intact (no damage or leakage). The Customer rejected the 3 damages drums and send back the same back to SEZ unit</p> <p>Is the SEZ unit is eligible for refund of the Customs Duty and IGST paid?</p>	<p>1. The movement of finished goods from SEZ to DTA unit is to be made under cover of Bill of entry, which is filed by SEZ unit on behalf of DTA unit.</p> <p>2. There is no duty exemption for DTA sales, GST must be paid on these transactions. However, if the unit receives sales returns from DTA customers, the unit can utilize such amount towards subsequent GST payments for DTA supplies.</p> <p>3. Further, SEZ unit can seek refund of accumulated ITC also provided conditions as stipulated in GST/SEZ laws are satisfied. As far as sales return is concerned, if such transaction is done by the DTA unit under GST invoice with applicable GST, ITC should be available.</p> <p>4. However, aforesaid shall not apply only in case of return of damaged drums (without finished goods).</p>

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7.	Sudeep Mgr-Finance(Business Park)	SEZ	can we raise invoices to tenants with IGST for DTA registration?	<ol style="list-style-type: none"> As per Section 7(5) of the IGST Act, 2017, a supply of goods or services by a SEZ developer or unit is treated as an inter-state supply. As the supply of service by a SEZ developer or unit is treated as an inter-state supply, IGST shall be payable in respect of the services provided to DTA.
8.	Prakash Methil	DTA	can we receive payment in INR for deemed exports to a Domestic Tariff Area (DTA), specifically for Zone-to-Bond transactions.	<ol style="list-style-type: none"> Section 2(z) of SEZ Act, 2005 defines 'services' as such tradable services which: <ol style="list-style-type: none"> are covered under the General Agreement on Trade in Services annexed as IB to the Agreement establishing the World Trade Organisation concluded at Marrakes on the 15th day of April 1994; may be prescribed by the Central Government for the purposes of this Act; and earn foreign exchange. Hence, SEZ units are not allowed to supply services to DTA and raise invoices in INR. However, there are no restrictions with regard to sale of goods to DTA in INR. Accordingly, goods can be sold by SEZ unit to DTA unit in INR.

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9.	Abdur Rahman Musba Head Finance Cardolite Specialty Chemicals India LLP Mangalore Special Economic Zone	SEZ	<p>1. The movement of finished goods from SEZ to DTA unit is to be made under cover of Bill of entry, which is filed by SEZ unit on behalf of DTA unit. Comment- The Customs Duty and GST is paid along with Bill of Entry.</p> <p>2. There is no duty exemption for DTA sales, GST must be paid on these transactions. However, if the unit receives sales returns from DTA customers, the unit can utilize such amount towards subsequent GST payments for DTA supplies. Comment- For subsequent GST payment, how can the earlier GST payment be used? For subsequent supplies, again Bill of Entry should be filed. How are we use the GST of the old transaction?</p> <p>3. Further, SEZ unit can seek refund of accumulated ITC also provided conditions as stipulated in GST/SEZ laws are satisfied. As far as sales return is concerned, if such transaction is done by the DTA unit under GST invoice with applicable GST, ITC should be available. Comment- I do not understand how the issue on ITC arises in this transaction. From where shall be get the ITC credit? Further, this reply has no relevance to my query.</p> <p>4. However, aforesaid shall not apply only in case of return of damaged drums (without finished goods). Comment- This point has no relevance to my query. Further, you have not reply to my question of Customs Duty refund.</p>	<p>1. Whether the entire finished goods will be returned back or only the drums will be returned back? 2. Whether the Company's query is regarding return back of entire finished goods or only the drums? 3. Whether the drums will be received back as scrap ?</p>

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10.	Abdur Rahman Musba Head Finance Cardolite Specialty Chemicals India LLP Mangalore Special Economic Zone	SEZ	<p>3 drums containing the Finished Goods was damage. The 3 drums along with the finished goods was send back to SEZ unit.</p> <p>Hence, the reply is as below.</p> <p>1. Whether the entire finished goods will be returned back or only the drums will be returned back? Reply - Entire finished goods was returned</p> <p>2. Whether the Company's query is regarding return back of entire finished goods or only the drums? Reply - Finished goods</p> <p>3. Whether the drums will be received back as scrap ? Reply - Not relevant.</p>	<p>1. The movement of finished goods from SEZ unit to DTA unit is to be made under cover of Bill of entry, which is filed by SEZ unit on behalf of DTA unit. The Customs Duty and GST is paid along with Bill of Entry.</p> <p>2. As the goods are returned back to SEZ unit from DTA unit, no Customs duty stands payable which is otherwise payable at the time of clearance of goods from SEZ unit to DTA unit. Accordingly, refund of Customs duty can be claimed under Section 26A of the Customs Act, 1962 which provides for refund of Customs duty paid in case of re-importation of goods found defective.</p>



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11.	Manicka Kumar Assistant Manager of Customs, EXIM High Glory Footwear INDIA Pvt Ltd	SEZ	<p>We are proposing to import an industrial X-ray inspection machine intended solely for non-medical use, specifically for scanning finished cartons/packaging for quality control and security purposes within our factory.</p> <p>At present, we are in the process of finalizing the classification and regulatory requirements. We seek your guidance for correct classification and applicable compliance obligations before proceeding with the import.</p> <p>In this connection, we request your kind clarification on the following: 1. Whether prior approval/NOC from the Atomic Energy Regulatory Board (AERB) is mandatory for import of such industrial X-ray equipment into an SEZ unit. 2. Whether separate authorization/licensing from AERB is required before installation and operational use of the machine inside the SEZ premises. 3. Whether any additional permission, intimation, or compliance is required from SEZ authorities/EPCES/Development Commissioner. 4. Confirmation of the appropriate HSN classification, if any specific guidance is available.</p> <p>For your reference and review, we are enclosing: • Product catalogue and technical specifications of the machine • Relevant regulatory extracts referred by us.</p> <p>We request your guidance to ensure full statutory compliance prior to placing the purchase order and initiating the import process.</p>	<p>1. Whether prior approval/NOC from the Atomic Energy Regulatory Board (AERB) is mandatory for import of such industrial X-ray equipment into an SEZ unit?</p> <p>The goods to be imported is an industrial X-ray inspection machine intended solely for non-medical use, specifically for scanning finished cartons/packaging for quality control and security purposes within our factory. The said goods are classifiable under Tariff Item 9022 1900. In terms of ITC (HS), Schedule I Import Policy to Foreign Trade Policy, 2023 for Tariff Item 9022 1900, import of goods is “Free”.</p> <p>In terms of ITC (HS), Schedule I Import Policy to Foreign Trade Policy, 2023 and Notification No. 03/2015-2020 dated 16.04.2018, import of Diagnostic Medical X-ray generators and apparatus is subject to Atomic Energy Act, '1962 and Rules thereunder including prior regulatory clearance from AERB.</p> <p>2. Whether separate authorization/licensing from AERB is required before installation and operational use of the machine inside the SEZ premises?</p> <p>Further, in terms of Rule 3 of Atomic Energy (Radiation Protection) Rules, 2004, a license may not be required for operation of industrial X-ray inspection machine intended solely for non-medical use, specifically for scanning finished cartons/packaging for quality control and security purposes.</p> <p>3. Whether any additional permission, intimation, or compliance is required from SEZ authorities/EPCES/Development Commissioner?</p> <p>No separate additional permission, intimation, or compliance is required from SEZ authorities/EPCES/Development Commissioner for import of such goods.</p> <p>4. Appropriate HSN classification</p> <p>Industrial X-ray inspection machine (non-medical purpose) can be classified under Tariff Item 9022 19 00 - “Apparatus based on the use of X-rays, whether or not for medical, surgical, dental or veterinary uses, including radiography or radiotherapy apparatus : For other uses.”</p>

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12.	Avinash Pujary	EOU	<p>we would need to know the impact of the BCD Payment on the DTA Sale from our EOU Unit incase a raw material is imported under F.T.A. Free Trade Agreement.</p> <p>For an example material namely Vitamin A Acetate imported from Germany, in EOU Unit and mostly to sell the FG into the DTA Unit At Mahad. We are exploring the options on what will be the impact for such DTA sales whether we need to Pay BCD or no need to pay in view of FTA exemption.</p>	<ul style="list-style-type: none"> In the present scenario, raw materials have been imported by the EOU unit availing the benefit of FTA. Accordingly, applicable Basic Customs Duty stands exempted at the time of importation, under the relevant FTA. As per Para 6.07(a)(i) of Foreign Trade Policy, 2023, EOU units shall sell finished goods in DTA on payment of GST and compensation cess along with payment (reversal) of applicable Customs duty on imported inputs (to the extent contained in finished goods) on which duty exemption was availed at the time of import in terms of Notification No. 52/2003-Cus., dated 31.03.2003, as amended. In the present case the BCD on the raw material stands exempted at the time of import itself by virtue of the FTA, there is no BCD foregone on raw materials in terms of Notification No. 52/2003-Cus., dated 31.03.2003, as amended. Accordingly, upon subsequent clearance of finished goods into the Domestic Tariff Area (DTA), no BCD is required to be paid (reversed) with respect to raw material contained in finished goods on which BCD was exempt by virtue of FTA.
13.	Manicka Kumar Assistant Manager of Customs, EXIM High Glory Footwear INDIA Pvt Ltd,	SEZ	<p>We have further reviewed the relevant statutory provisions, including the Atomic Energy Act, 1962, Atomic Energy (Radiation Protection) Rules, 2004, and associated AERB safety directives.</p> <p>During this review, we also referred to AERB Directive No. 02/2021, which provides exemption criteria for radiation generating equipment with extremely low emission levels, wherein licensing/authorization may not be required if:</p> <ul style="list-style-type: none"> Ambient dose rate $\leq 1 \mu\text{Sv}/\text{hour}$ at 0.1 meter from any accessible surface, or Maximum radiation energy $\leq 5 \text{ keV}$ <p>As per the manufacturer's technical specifications for our proposed industrial X-ray inspection machine, the measured dose rate is $\leq 0.3 \mu\text{Sv}/\text{hour}$, which is well below the above threshold. Intended only for non-medical, in-house industrial purposes.</p> <p>A copy of the product catalogue is attached for your reference.</p> <p>In this regard, we kindly request your confirmation on whether the above AERB Directive No. 02/2021 exemption criteria may be relied upon for our case and whether the said equipment can be treated as exempt from AERB approval requirements at the time of import.</p>	<ul style="list-style-type: none"> As highlighted in the trail e-mail, no regulatory clearance from AERB is required for import of X-Ray Inspection Equipment falling under Tariff Item 9022 1900 in terms of ITC (HS), Schedule I Import Policy to Foreign Trade Policy, 2023. Further, in AERB Directive No. 02/2021 dated 07.12.2021, exempts license requirement criteria for radiation generating equipment with ambient dose rate $\leq 1 \mu\text{Sv}/\text{hour}$ at 0.1 meter from any accessible surface of the equipment. Based on the technical specifications provided by the manufacturer, the stated ambient dose rate of X-Ray Inspection Equipment is $\leq 0.3 \mu\text{Sv}/\text{hour}$, which is below the prescribed limit as provided under AERB Directive dated 07.12.2021, the equipment to be imported shall be exempt from license requirement under Rule 3 of Atomic Energy (Radiation Protection) Rules, 2004.

S. No.	Querist Name	Category	Query from member	Response by BDO Team																				
14.	Vikram j n Dy. Manager - Commercial & Stores	DTA	<p>We wish to know applicable duty on sale of finished product in DTA manufactured out of Imported raw material.</p> <p>Do we need to pay only BCD and BCD cess ?</p> <p>Example :</p> <table border="1"> <thead> <tr> <th>Invoice quantity</th> <th>Per piece value INR</th> <th>Total Taxable value INR</th> <th>IGST 18%</th> <th>Total Invoice value INR</th> </tr> </thead> <tbody> <tr> <td>10</td> <td>200</td> <td>2,000</td> <td>360</td> <td>2360</td> </tr> <tr> <td colspan="4">Imported material used value per piece INR</td> <td>50</td> </tr> <tr> <td colspan="4">total value of importer material(10*50)</td> <td>500</td> </tr> </tbody> </table> <p>Question is :</p> <p>Do we need pay BCD and BCD cess on 500 or on INR 2000</p> <p>Any IGST we have to pay apart from invoiced IGST tax</p>	Invoice quantity	Per piece value INR	Total Taxable value INR	IGST 18%	Total Invoice value INR	10	200	2,000	360	2360	Imported material used value per piece INR				50	total value of importer material(10*50)				500	<p>1. In case of clearance of finished goods from an SEZ unit into the Domestic Tariff Area (DTA), in terms of Section 30 of the SEZ Act, 2005 read with Rule 47 of SEZ Rules, 2006, goods shall be chargeable to duties of customs including anti-dumping, countervailing and safeguard duties under the Customs Tariff Act, 1975, where applicable, as leviable on such goods when imported.</p> <p>2. Further, in terms of Section 30 of the SEZ Act, 2005, valuation of the goods cleared into Domestic Tariff Area shall be made in accordance with Customs Act and rules made there under.</p> <p>3. Accordingly, Customs duty including IGST shall be payable on the entire assessable value of the finished goods, i.e., INR 2,000, and not restricted to the value of imported raw materials contained in the finished goods.</p>
Invoice quantity	Per piece value INR	Total Taxable value INR	IGST 18%	Total Invoice value INR																				
10	200	2,000	360	2360																				
Imported material used value per piece INR				50																				
total value of importer material(10*50)				500																				
15.	Abdur Rahman Musba Head Finance Cardolite Specialty Chemicals India LLP Mangalore Special Economic Zone	SEZ	<p>1. Whether SEZ unit can claim refund on the BCD and IGST under Section 26A of customs law? Or whether the DTA buyer should claim the refund of BCD and IGST?</p> <p>2. Whether the Bill of Exports should be filed by the DTA supplier for claiming this refund?</p> <p>3. What is the prescribed manner to claim the refund of BCD and IGST (as mentioned Section 26A(1)).</p>	<ul style="list-style-type: none"> As per Section 26A(1)(a) of the Customs Act, 1962, if duty has been paid on imported goods cleared for home consumption, the duty shall be refunded to the person who paid it, or on whose behalf it was paid, where the goods are found to be defective or not in conformity with agreed specifications. Section 26A(2) provides that the application for refund must be filed within six months from the relevant date as applicable. Accordingly, the SEZ unit is required to claim the refund by submitting an application for duty refund to the jurisdictional Customs authority 																				

S. No.	Querist Name	Category	Query from member	Response by BDO Team
16.	Abdur Rahman Musba Head Finance Cardolite Specialty Chemicals India LLP Mangalore Special Economic Zone	SEZ	<p>A SEZ unit is proposing to import raw material. The raw material shall be sent to DTA unit for job work to produce intermediate goods as per SEZ law. The intermediate goods shall be brought back to SEZ unit which shall be used in manufacture of finished goods by SEZ unit. There are some by-products which shall be generated by the DTA unit from job work. The imported raw material has a Customs Duty rate of 15% (BCD). The intermediate goods have a BCD of 7.5%.</p> <p>The DTA unit shall disposed the by-products in India. At what rate the Customs Duty should be paid on by-product disposed by the DTA unit (15% or 7.5%)?</p>	<ul style="list-style-type: none"> As per Rule 42 of SEZ Rules, 2006, SEZ unit may send raw materials, semi-finished or semi-processed goods to DTA unit for sub-contracting. In this regard, the Company shall follow the conditions and procedures as laid down in Rule 42 of SEZ Rules, 2006. Further, the Company has to ensure that processed goods are returned back to SEZ unit within 120 days from the date of removal or within such period as may be extended by the Specified Officer. In terms of Rule 42(3) of SEZ Rules, 2006, waste, scrap or remnants generated during processes at the sub-contractor's may be cleared on payment of an amount equal to the duty applicable on imports as if the said waste or scrap or remnants have been cleared by the Unit. There is no specific provision for by-products. However, in line with treatment for waste, scrap or remnants, Customs duty as applicable on by-product would be required to be paid.
17.	Naveen Kainth AGM - Commercial & Logistics	Rodtepe	<p>We are exporting SIM Cards from NSEZ to various countries and have been claiming/mentioning RodTEP benefits in ICEGATE shipping bills. In cases where export shipments are returned and we request customs to cancel the shipping bill, customs authorities ask us to return the RodTEP benefit.</p> <p>However, when the benefit has not been received, it is unclear how we can return it.</p> <p>We would like to request clarification on whether any customs or SEZ notifications/circulars exist that specifically address this situation.</p>	<ul style="list-style-type: none"> Under Chapter 4 of Foreign Trade Policy, 2023 RodTEP benefit is available in the form of e-scrips which can be utilized for the payment of Basic Customs Duty. RodTEP e-scrips have to be generated on the ICEGATE portal. We understand that in the present case, export shipments are returned and the Shipping Bill is cancelled. Since no e-scrips have been generated for such exports, the department cannot ask to return the RodTEP benefit. Accordingly, the Company can approach the department requesting them to cancel RodTEP claim linked to such Shipping Bill on ICEGATE portal, so e-scrips cannot be generated against such Shipping Bill.
18.	Upendharreddy Ramini M/s.Tata Boeing Aerospace Limited Adibatla, Ibrahimpatnam mandal,	Sez	<p>My Port Code is INFMA6. We are currently manufacturing aircraft engine parts for export to the USA and European countries. This manufacturing process requires high-quality, high-value machinery (approximately 50Cr. per machine) sourced from Japan and Europe.</p> <p>To optimize capital expenditure, we have approached an Indian finance company to lease or rent this equipment. We would like to know if it is possible for us (the SEZ unit) to file the Bill of Entry (BOE) at the time of import to avoid customs duties.</p> <p>Could you please provide guidance on whether this is permissible within the ICEGATE 2.0 portal and specify the rule under which we should file such a BOE?</p>	<p>Dear Member</p> <p>In reference to your below query, please find our response as under:</p> <ul style="list-style-type: none"> As per Rule 27(4) of the SEZ Rules, 2006, a SEZ Unit is permitted to source capital goods without payment of customs duty, taxes, or cess from a domestic or foreign leasing company under a valid lease agreement. In such cases, the SEZ Unit and the leasing company are required to jointly file the import documents. Further, Rule 29(2)(a) and its third proviso provide that the SEZ importer shall file the Bill of Entry (BoE) for home consumption, duly endorsed as "Special Economic Zone Cargo," along with the Bill of Lading/Airway Bill, invoice, and packing list. For leased or loaned capital goods, the BoE shall be filed jointly in the names of the SEZ importer and the leasing company. This can be done via the ICEGATE 2.0 portal, and the SEZ Unit can claim duty exemption under the SEZ framework.

S. No.	Querist Name	Category	Query from member	Response by BDO Team
19.	Nishant Export, Cochin	EOU	While preparing the IGCR statement, we can get the Bill of Entry details which are directly imported by us. We have import by way of EOU to EOU transfer. We request you to please let us know the procedure to report the EOU to EOU transfer in IGCR.	<p>1. Transfer of finished goods from one EOU unit to another EOU unit is allowed on payment of applicable GST and compensation cess with prior intimation to concerned Development Commissioners and subject to fulfilment of conditions as prescribed under Para 6.12 of Foreign Trade Policy, 2023.</p> <p>2. No Bill of Entry is required to be filed for transfer of finished goods from one EOU unit to another EOU unit.</p> <p>3. In terms of Notification No. 52/2003-Cus., dated 31.03.2003, EOU unit is only required to follow the procedure as stated in Rule 5 of Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022 i.e., mentioning of Import of Goods at Concessional Rate of Duty(IGCR) Identification Number (IIN) and continuity bond number and details while filing the Bill of Entry at time of import of goods.</p> <p>4. Accordingly, no procedure under Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022 is required to be followed at time of transfer of goods from one EOU unit to another EOU unit including reporting of such transactions.</p>
20.	Bhargava S.J.P Co-Founder Partner	SEZ	<p>We at Rabita Software are into software license sales based in Bangalore. We sell software licenses to customers in SEZ locations.</p> <p>In order to cater to SEZ customers, we have office in SEZ, Manyata Tech Park, Bangalore.</p> <p>We have below queries and request you to provide valid answers as per SEZ rules & regulations:</p> <ol style="list-style-type: none"> 1. Can we bill to SEZ units in Indian Rupees from our SEZ office? 2. Can we receive payments from SEZ customers to our SEZ office in Indian Rupees? 3. Is there any mandate from SEZ authorities to receive payments from SEZ units in USD? <p>Customer Scenario:</p> <ul style="list-style-type: none"> • If we receive Purchase Order from SEZ customer to our SEZ office in USD, customer insists us to receive payment in Indian Rupees instead of USD. Is this possible as per SEZ rules? • If our customer in SEZ location insists to give us purchase order in Indian Rupees and also make payment in Indian Rupees to our SEZ office, Is this allowed as per SEZ rules? 	<ul style="list-style-type: none"> • Rule 53 of SEZ Rules, 2006 provides for NFE computation. • As per Rule 53 of SEZ Rules, 2006, service SEZ unit can render services within SEZ provided the payment is in free foreign exchange or such services rendered in Indian Rupees which are otherwise considered as having been paid for in free foreign exchange by the Reserve Bank of India. Accordingly, SEZ Unit can receive export proceeds in INR provided it is through Special Rupee Vostro Accounts opened by AD Banks. • Further, SEZ unit can supply goods to SEZ units in the same or other SEZ provided payment is in free foreign exchange i.e., payment can be received in INR provided it is through Special Rupee Vostro Accounts opened by AD Banks. • Accordingly, the Company can receive payment in INR for sale of software license to another SEZ units provided it is through Special Rupee Vostro Accounts opened by AD Banks.

S. No.	Querist Name	Category	Query from member	Response by BDO Team
21.	Jaydev Kag Deputy Manager	SEZ	<p>Kindly refer to the attached notification regarding default services to SEZ units on which exemption of IGST is available. In this regard, we seek your clarification on the following matter: Whether an SEZ Unit can avail the benefit of IGST exemption on services even if the place of receipt of such services is outside the SEZ unit premises.</p> <p>For example, in our case, we issue blocks for ship construction from our SEZ Unit to an EOU unit on a job work basis. The EOU has a jetty, dry dock, and other necessary facilities where the vessel is constructed on job work basis. Upon completion, the vessel is directly exported from the EOU's premises (i.e., sub-contractor's premises).</p> <p>Since vessel construction is a large-scale and specialized project, various specialized services are required during the manufacturing process at the sub-contractor's premises.</p> <p>We therefore request clarification on the following points:</p> <ol style="list-style-type: none"> 1. While availing such specialized services at the sub-contractor's premises, who should issue the service order – the SEZ Unit or the sub-contracting (EOU) unit? 2. Whether the service provider can claim IGST exemption benefit even though the services are physically provided at the sub-contractor's premises, provided that the services are for an SEZ project. 	<ul style="list-style-type: none"> • As per Section 26 of SEZ Act, 2005 read with Rule 27 of SEZ Rules, 2006, SEZ unit is entitled to procure services without payment of duty/ tax for its authorised operations. • The only condition is that services can be procured without payment of duty/ tax for authorised operations without any condition for place of receipt of service. • Rule 41 of SEZ Rules, 2006 permits SEZ unit to sub-contract part of its production process (authorized operations) to EOU unit with the permission of the specified officer. • In the present case, the Company must have obtained permission from the specified officer under Rule 41 of SEZ Rules, 2006 to sub-contract vessel production process to EOU unit. • Accordingly, the Company can receive services at the premise of EOU unit (sub-contractor) without payment of duty/tax provided it is only for authorised operations of SEZ unit i.e., construction of vessel. • Further, SEZ unit only should place the service order and clearly SEZ unit should be mentioned as recipient of service even though place of receipt of service is at the premise of EOU unit.
22.	Vikram j n Dy. Manager - Commercial & Stores	DTA	<p>We are an EOU unit and below response hold good to pay customs duty including IGST on value of invoice. As you are referring in all places SEZ</p>	<p>As per para 6.07(a) of the Foreign Trade Policy 2023, DTA sale of finished goods by an EOU is permitted subject to fulfilment of positive NFE.</p> <p>For such DTA sales, GST/IGST is payable on the full transaction value of the finished goods (INR 2,000) as invoiced. In addition, the unit is required to reverse the customs duties (BCD and applicable cess) availed as exemption on the imported inputs used in the manufacture of such goods, i.e., INR 500, as per applicable SION/Norms Committee norms. No additional IGST is payable other than the IGST charged on the finished goods invoice.</p>

S. No.	Querist Name	Category	Query from member	Response by BDO Team
23.	Srinath PARTHASARATHY Head - Logistics Safran Aircraft Engines - Hyderabad INDIA	SEZ	<p>We “SAFRAN AIRCRAFT ENGINES HYDERABAD PRIVATE LIMITED” bringing to your council an Application of Request/Query .</p> <p>We , are availing the Incentive scrips for Export sale under RoDTEP scheme , being a SEZ unit , we are not converting the Scrips to Duty payment .</p> <p>Need the council support to guide/direct , how shall we convert the Incentive scrips to receipt of Money.</p> <p>Limitation we have :</p> <ol style="list-style-type: none"> 1. Limited Business units , doing related Business , to sell the Scrips . 2. Agents asking big discount on the scrips value , >40% <p>Table of Information :</p> <ol style="list-style-type: none"> 1. Incentive Scrips value/year will be around INR 50 lakhs for our business units 2. HSN : 84119100- (0.6% on Export Value) 	<p>We understand the practical constraints highlighted, including the limited availability of related business units for transfer and the significant discount (over 40%) being quoted by agents. RoDTEP duty credit scrips are transferable and may be transferred to any eligible importer for utilization towards payment of Basic Customs Duty, subject to compliance with the prescribed procedures.</p> <p>Posting the availability of the scrips may be considered in the members WhatsApp group. This may help in identifying potential buyers within the industry network and achieving better value realization.</p>

S. No.	Querist Name	Category	Query from member	Response by BDO Team
24.	DUBEY Abhinay (CNH)	SEZ	<p>We are an IT/ITeS SEZ unit operating under an approved list of authorized operations, with our core activities focused on equipment R&D and IT enabled services. As part of our ongoing business processes, we seek your expert guidance on the following two matters:</p> <ul style="list-style-type: none"> Certain employees designated under the SEZ entity are required to extend limited services to another related entity. As per GST requirements, such shared services must be cross charged to the benefiting entity. We would appreciate your clarification on whether the service invoice should be issued to the related entity in INR with applicable GST, or in foreign currency. Any supporting references or documentation would be greatly helpful. We procure cab services (vehicles not exceeding seven seats) from third party vendors for employee transportation and currently discharge GST under the reverse charge mechanism without availing ITC. However, we note that “Rent a cab scheme operator’s services” appear under the default list of authorized services for SEZ units, indicating potential non applicability of GST. We request your guidance on whether GST under RCM is required to be paid in this scenario, along with any relevant supporting documents. 	<p>INR Billing for Services rendered by SEZ to DTA</p> <ol style="list-style-type: none"> As per Section 2(z) of the SEZ Act, which states that services must be: <ul style="list-style-type: none"> covered under the GATS framework, prescribed by the Central Government, and earn foreign exchange. For any service to qualify as a valid authorised operation under the SEZ framework, it must lead to foreign exchange realisation. As a result, billing DTA clients in Indian Rupees (INR) is generally viewed as non-compliant, since it does not meet the foreign exchange earning criterion. However, Rule 53(h) of the SEZ Rules, 2006 “export of services by services units including services rendered within Special Economic Zone or services rendered in the Domestic Tariff Area and paid for in free foreign exchange or such services rendered in Indian Rupees which are otherwise considered as having been paid for in free foreign exchange by the Reserve Bank of India...” This rule introduces limited flexibility, allowing INR billing in cases where the Reserve Bank of India (RBI) specifically treats such INR receipts as equivalent to foreign exchange, such as under RBI approved mechanisms. In view of the above legal framework and prevailing regulatory interpretation, SEZ units, particularly in the IT/ITES sector, are advised to invoice DTA clients in freely convertible foreign currency to ensure full compliance with SEZ regulations. Where INR billing is contemplated, it must be backed by clear confirmation from the RBI or the unit’s Authorised Dealer (AD) bank that such receipts are deemed foreign exchange under applicable guidelines. <p>Rent a Cab Service</p> <ol style="list-style-type: none"> As per Section 26 of SEZ Act, 2005 read with Rule 27 of SEZ Rules, 2006, SEZ unit is entitled to procure services without payment of duty/ tax for its authorised operations. A list of services has been notified by Ministry of Commerce (MOC) which is commonly known as default list of authorised services. Default list of services generally covers the services procured directly in relation to business of unit. Rent a cab is included in the default list of authorised services for SEZ units. Accordingly, no GST shall be payable by SEZ unit in respect of rent a cab services.

S. No.	Querist Name	Category	Query from member	Response by BDO Team
25.	Rohit Singh	SEZ	<p>We are an Sez Unit, authorised to import and export petroleum products. For this we need to lay down pipelines outside sez to bring in and out the product.</p> <p>In this regard, please clarify</p> <p>1) if benefits of tax will be eligible if we purchase pipelines from DTA vendor and ship it directly to the location in DTA where it needs to be installed.</p> <p>2) if we bring the products in sez and remove it to dta for installation. Will the tax benefits can be availed? Considering this is for our authorised operations and This will be used for our own business.</p> <p>3) if duty paid assets are brought into sez and then removed. Whether duty will be payable again?</p> <p>4) what to do in case the authorised officer doesn't allow us to remove the pipelines without payment of duty ? Are there any other officer we could approach for permission?</p> <p>5) whether we can pay duty under protest? If yes, what is the procedure?</p>	<p>As per Section 26 of SEZ Act, 2005 read with Rule 27 of SEZ Rules, 2006, SEZ unit is entitled to procure goods from DTA without payment of duty/ tax for its authorised operations. As per Rule 33(i) of the SEZ Act 2006, the goods imported or procured from DTA shall be brought into the premises of Unit. Further, Section 30(a) of the SEZ Act 2005, any goods removed from a SEZ to the DTA shall be chargeable to duties of customs including anti-dumping, countervailing and safeguard duties under the Customs Tariff Act, 1975, where applicable, as leviable on such goods when imported.</p> <p>Since in this case, the laying of the pipeline in DTA is critical for the Authorised Operations of the SEZ Unit, specialised permission from the Specified Officer may be obtained by the Company to permit direct shipment of the pipeline to the DTA. In case, the permission is denied and duty is demanded, the same may be paid under protest and the matter shall have to be litigated.</p> <p>For payment of duty under protest, ensure that the payment document clearly indicates "under protest", and that a written protest letter is submitted and linked to the payment, clearly stating the reasons for the protest and affirming that the entity retains the right to claim a refund.</p>
26.	Vishwanath G. Hublikar	SEZ	<p>We M/s Imperial Jewels having Trading division in seepz - sez. We are doing trading of loose cut and polished diamonds, gold and consumables. We supply in SEEPZ - SEZ only.</p> <p>We would like to know can we take sales return form our customer. Because we have sold some diamonds to other jewelry units in seepz. Due to order cancellation they are now not required the said diamond. They would like to return the same to us in our trading unit.</p> <p>We would like to know can we do such transaction for precious material. Also would like to know the SEZ rule for the same.</p>	<p>As per Rule 38 of the Special Economic Zones Rules, 2006, a Unit may transfer goods to another Unit within the same SEZ or to a Unit in another SEZ without payment of duty, subject to maintenance of proper accounts and compliance with prescribed procedures.</p> <p>Accordingly, return of goods from one SEZ Unit to another is permissible, provided the transaction is supported by proper documentation and statutory records are duly maintained.</p> <p>In case of sales return of diamonds within SEEPZ-SEZ:</p> <ul style="list-style-type: none"> • The return should be effected under proper documentation (delivery challan / return invoice) clearly referencing the original sale invoice. • The original sale may be adjusted through issuance of a credit note • Prior intimation and necessary endorsement from the Specified Officer / Authorized Officer of SEEPZ-SEZ may be required, particularly for movement of precious materials such as diamonds. • The movement of goods must be properly recorded in both Units' stock registers and other prescribed records. <p>There is no specific prohibition under the SEZ law on return of goods between SEZ Units. However, strict traceability of the goods and clear correlation with the original supply must be maintained to satisfy customs and SEZ compliance requirements.</p>

S. No.	Querist Name	Category	Query from member	Response by BDO Team
27.	Namrata Sawant	SEZ	<p>LTIMindtree Limited operates an SEZ unit at the Mahape Mensa location in Navi Mumbai. At this SEZ unit, we have laptops that were procured locally on payment of applicable duties.</p> <p>These laptops are approximately five years old, and we now propose to transfer them from the SEZ unit to individual employees by registering the assets in the employees' names. We request your guidance on whether such a transfer of locally procured, duty-paid laptops from the SEZ unit to employees is permissible under the applicable regulations.</p>	<ul style="list-style-type: none"> • We understand that the company wants to permanently transfer laptop to its employees which were duly procured on payment of applicable duties. Further, we understand that laptops are not temporarily transferred to authorized employees for use. • As per Rule 49(4) of the SEZ Rules 2006, a SEZ Unit may remove goods which were imported and admitted into SEZ on payment of applicable duty, into DTA without payment of duty provided goods are cleared without any processing and identity of goods is established to the satisfaction of the Specified Officer. • In view of the above, the company can transfer duty-paid laptops to its employees in terms of Rule 49(4) of the SEZ Rules, 2006, without payment of duty, subject to proper identification of the laptop is established to the Specified Officer.

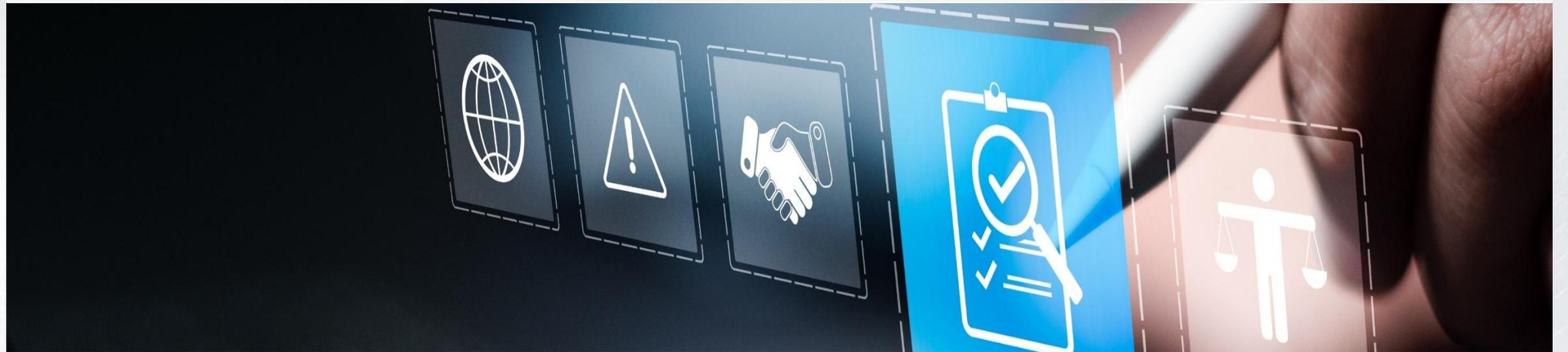
S. No.	Querist Name	Category	Query from member	Response by BDO Team
28.	Balaji Narayanamurthy Kyndryl Solutions Private Limited, Chennai, India.	SEZ	<p>We seek your kind clarification regarding the applicability of Rule 49 of the SEZ Rules, 2006 in respect of removal of certain duty-paid batteries (Non-IT assets) from our SEZ unit to the Domestic Tariff Area (DTA) as scrap since its functionality is not optimum. The relevant facts are as follows:</p> <ol style="list-style-type: none"> 1. The subject batteries(Non-IT assets) were procured on payment of applicable duties/taxes. 2. No exemption under Section 26 of the SEZ Act, 2005 was availed at the time of procurement. 3. No drawback or other fiscal benefit has been claimed on the above at the time of procurement. 4. The said goods are proposed to be cleared as used goods/scrap to DTA. <p>In this connection, we understand that Rule 49 of the SEZ Rules, 2006 provides depreciation in respect of capital goods on which duty-exemption was originally availed. Since the subject goods were procured on payment of applicable duties and no exemption benefit was claimed, it appears that the depreciation provisions under Rule 49 may not be applicable in the present case.</p> <p>With the above background, we would need your advise on the below two areas:</p> <ol style="list-style-type: none"> 1. We request your confirmation and clarification if Rule 49 may be applied in the concerned case. 2. In addition, these assets are being moved to a third-party vendor in DTA as scrap-sale. We request that under which rule and conditions they can be moved to the DTA. <p>We will be grateful for your guidance in this matter. Please let us know if any additional information is required.</p>	<ul style="list-style-type: none"> • As per Rule 49(4) of SEZ Rules 2006, a SEZ Unit may remove goods which were imported and admitted into SEZ on payment of applicable duty, into DTA without payment of duty provided goods are cleared without any processing and identity of goods is established to the satisfaction of the Specified Officer. • In view of the above, since the subject batteries were procured on payment of applicable duties and no exemption was availed under Section 26 of the SEZ Act, 2005 was availed, the Company can remove the batteries into DTA without payment of duty in terms of Rule 49(4) of SEZ Rules 2006, subject to establishment of identity of batteries to the satisfaction of the Specified Officer. • Accordingly, the Company can approach the Specified officer and seek permission for removal of batteries in terms of Rule 49(4) of SEZ Rules 2006. In case, the identity of batteries is not established to the satisfaction of the Specified officer, duty will be required to discharge at the time of clearance of batteries into DTA.

S. No.	Querist Name	Category	Query from member	Response by BDO Team
29.	Rishi Madan Partner	EPCES	<p>We are a member exporter of EPCES and operate a manufacturing unit located in a notified Special Economic Zone (SEZ). We seek your guidance and support in connection with an Income-tax assessment issue that has arisen in our case, which we believe has wider relevance for SEZ units.</p> <p>Background of the issue During scrutiny assessment proceedings for Assessment Year 2024-25, the Income-tax Department has proposed to disallow deduction claimed under Section 10AA of the Income-tax Act, 1961 in respect of supplies made by our SEZ unit to another SEZ unit located within the same SEZ.</p> <p>The Assessing Officer has taken the view that:</p> <ul style="list-style-type: none"> SEZ-to-SEZ supplies do not constitute “export of goods out of India” for the purposes of Section 10AA; Sale proceeds realised in Indian Rupees, without receipt of convertible foreign exchange, violate the condition prescribed under Section 10AA(3); The legal fiction of SEZ being treated as territory outside India under the SEZ Act and Customs law cannot be extended to the Income-tax Act in absence of a specific provision or CBDT clarification. <p>Based on the above reasoning, the Department proposes to:</p> <ul style="list-style-type: none"> Treat SEZ-to-SEZ turnover as ineligible for deduction under Section 10AA; and Recompute eligible profits by excluding such turnover. 	<p>We refer to the query asked in the trail email, regarding the show cause notice issued in the course of assessment proceedings of M/s Rishi International (India), for AY 2024-25, wherein the Assessing Officer has proposed denial of deduction under Section 10AA of the Income-tax Act, 1961 (‘Act’) in respect of supplies made by its SEZ unit to another unit located in SEZ of M/s Dewan India.</p> <p>On perusal of show cause notice issued for AY 2024-25, the Assessing Officer has primarily proposed denial of deduction under Section 10AA in respect of turnover arising from supplies made to Dewan India- SEZ unit.</p> <p>Based on our review of the matter, our point-wise response to the specific queries raised is set out below:</p> <ol style="list-style-type: none"> Circulars / Instructions / Clarifications <p>At present, there is no specific CBDT circular, instruction or notification expressly clarifying that supplies from one SEZ unit to another SEZ unit qualify as “export” for the purposes of Section 10AA of the Act. While SEZ law treats inter-unit supplies within SEZ as “exports” for operational purposes, the Income-tax act does not contain an explicit provision aligning Section 10AA with that position.</p> <ol style="list-style-type: none"> Judicial precedents <p>As per section 10AA, “export turnover” means the consideration in respect of export by the undertaking, being the Unit of articles or things or services received in, or brought into, India by the assessee in convertible foreign exchange in accordance with the provisions of sub-section (4A), but does not include freight, telecommunication charges or insurance attributable to the delivery of the articles or things outside India or expenses, if any, incurred in foreign exchange in rendering of services (including computer software) outside India.</p> <p>Further, ‘export’ in relation to the Special Economic Zones” means taking goods or providing services out of India from a Special Economic Zone by land, sea, air, or by any other mode, whether physical or otherwise</p> <p>Some of the judicial precedents on this issue (having adverse implications):</p> <p>In DCIT v. Electro Equipment (P.) Ltd. (ITA No. 3127/Mds/2014, Madras ITAT), the Tribunal held that supplies made by one SEZ unit to another SEZ unit do not constitute “export of goods or services out of India” under Explanation 1(ii) to Section 10AA of Act. The Tribunal reasoned that Section 10AA confines the deduction to actual exports outside India and does not adopt the broader definition of “export” under Section 2(m) of the Special Economic Zones Act, 2005. It noted that including intra-SEZ supplies could result in double deductions, since the purchasing SEZ unit could later claim deduction upon exporting the same goods.</p> <p>Similarly, in ACIT v. Sarto Electro Equipment Pvt. Ltd. (Mumbai ITAT), the Tribunal reiterated that inter-SEZ transfers are not eligible for Section 10AA deduction, emphasizing the statutory language of Section 10AA over the SEZ Act’s definition of “export.”</p> <p>In CIT v. Electronic Controls & Discharge Systems (P.) Ltd. [(2011) 13 taxmann.com 193 (Ker.)], the Kerala High Court held that the concept of “deemed export” under the SEZ Act cannot be read into the Act. The Court stressed that the Act is a self-contained code, and deductions under Section 10A (predecessor to 10AA) are available only for profits from actual exports made out of India and realized in convertible foreign exchange. Inter-unit transfers or local sales, even if treated as exports under customs or excise law, do not qualify unless they satisfy the specific conditions of the Act, and extending the benefit judicially would amount to rewriting the statute and could lead to unintended double benefits.</p>

S. No.	Querist Name	Category	Query from member	Response by BDO Team
30.			<p>Our understanding and concern As per the SEZ Act, 2005 and SEZ Rules, supplies from one SEZ unit to another SEZ unit are treated as authorized operations and are governed by export-oriented procedures through SEZ Online. However, the Income-tax authorities are not accepting this position for Section 10AA purposes, particularly in respect of foreign exchange realization. Given that many SEZ units undertake intra-SEZ or SEZ-to-SEZ supplies as part of integrated export supply chains, the above interpretation has significant implications for the industry. Support sought from EPCES We respectfully request EPCES to kindly assist us on the following:</p> <ol style="list-style-type: none"> Whether EPCES is aware of any CBDT circulars, instructions, clarifications, or representations addressing the treatment of SEZ-to-SEZ supplies under Section 10AA. Whether any judicial precedents or appellate decisions exist where Section 10AA deduction has been allowed (or disallowed) in similar SEZ-to-SEZ transaction scenarios. Whether EPCES has made or proposes to make any industry representation to the Ministry of Finance / CBDT on harmonizing the SEZ framework with Income-tax provisions, especially regarding the foreign exchange realization condition. Any guidance or recommended approach EPCES suggests for responding to such Income-tax notices, considering the practical functioning of SEZs. 	<p>3. Industry Recommendation We are not aware of any industry representation made to the Ministry of Finance or the CBDT regarding harmonization of the SEZ framework with Income-tax provisions, including the foreign exchange realization condition. Based on publicly available information, no such representation could be identified.</p> <p>4. Guidance or Approach While EPCES has not issued formal guidance on responding to Income-tax notices, in practice, SEZ units typically adopt a structured approach that aligns with both the legal and operational framework governing SEZs. Although certain judicial forums have adopted a restrictive interpretation, observing that domestic or inter-SEZ sales may not strictly qualify for deduction under Section 10AA of the Income-tax Act, without prejudice, EPCES members may consider the following approach, grounded in the statutory framework and relevant case law:</p> <ul style="list-style-type: none"> Section 10AA of the Act has been introduced into the statute by the express statutory mandate of the SEZ Act, 2005. The SEZ Act, in turn, provides a wider definition of “exports” under Section 2(m) of the SEZ Act, which explicitly includes supplies made by SEZ units to other units or entities located in the same or different SEZs in India. Further, by virtue of Section 51 of the SEZ Act, which contains a non-obstante clause, the provisions of the SEZ Act override any inconsistent provisions of other laws, including the Income-tax Act, 1961. Accordingly, the broader SEZ definition of “exports” is relevant and should be taken into account when determining eligibility under Section 10AA. <p>• Reliance may also be placed on the decision of the Hon’ble Delhi ITAT in Cliff Scaffoldings (P.) Ltd. v. ITO, New Delhi, ITA No. 4530/DEL/2015, wherein the Tribunal held that a provision in one enactment containing a non-obstante clause prevails over the provisions of the Income-tax Act, 1961. By analogy, Section 51 of the SEZ Act, with its overriding effect, supports the view that the wider definition of “exports” under Section 2(m), including inter-unit SEZ supplies, should be recognized for the purposes of Section 10AA of the Act.</p> <p>• Further, if Rishi International India can substantiate that supplies made to Dewan India- SEZ unit, has ultimately been exported to a foreign country, an argument can be taken that the supplies have finally reached a foreign jurisdiction and accordingly Rishi International shall also be entitled to benefit under section 10AA of the Act.</p>

S. No.	Querist Name	Category	Query from member	Response by BDO Team
31.	Sudeep Epari Manager (Finance), Hyderabad CapitalLand India	SEZ	<p>We seek your clarification regarding the requirement of ITC reversal in respect of common services pertaining to processing Area of our SEZ unit.</p> <p>In view of the above, we understand,</p> <ol style="list-style-type: none"> Supplies to SEZ for authorized operations are Zero rated and not exempt. ITC reversal under Section 17 (2) of CGST act is applicable only in the case of exempt supplies. <p>Accordingly, we request your confirmation whether any ITC reversals is required in the present case.</p>	<ul style="list-style-type: none"> As per Rule 11B(5) of SEZ Rules, 2006, Board of Approval may permit the Developer to demarcate a portion of the built-up area as a non-processing area only after repayment, without interest, by the Developer tax benefits attributable to the non-processing area, calculated as the benefits provided for the processing area in proportion of the built up area of the non-processing area to the total built up area of the processing area. As per Rule 12 of SEZ Rules, 2006, developer may import or procure services from DTA without payment of duty, taxes and cess for the authorized operations. Accordingly, the developer would be required to pay IGST on services procured from DTA to the extent attributable to the common area and non-processing area.
32.	Sudeep Epari Manager (Finance), Hyderabad CapitalLand India	SEZ	<p>We seek your clarification regarding the requirement of ITC reversal in respect of common services pertaining to processing Area of our SEZ unit.</p> <p>In view of the above, we understand,</p> <ol style="list-style-type: none"> Supplies to SEZ for authorized operations are Zero rated and not exempt. ITC reversal under Section 17 (2) of CGST act is applicable only in the case of exempt supplies. <p>Accordingly, we request your confirmation whether any ITC reversals is required in the present case.</p> <p>----- --</p> <p>My query is pertaining to ITC on IGST paid on services procured for common area.</p> <p>Please confirm if any ITC needs to be reversed for processing area under Rule 42 of CGST act.</p>	<ul style="list-style-type: none"> Supplies made to an SEZ for authorised operations are treated as zero-rated supplies under Section 16 of the IGST Act, 2017. Rule 42 of the CGST Rules, 2017 stipulates reversal of input tax credit where input services are used partly for taxable supplies (including zero-rated supplies) and partly for exempt supplies, or partly for business purposes and partly for non-business purposes, requiring proportionate reversal to the extent attributable to exempt turnover and non-business use. Accordingly, no ITC reversal is required for the processing area in respect of IGST paid on common services.

S. No.	Querist Name	Category	Query from member	Response by BDO Team
33.	Avinash Pujary	SEZ	<p>Whether employee Medclaim expense is covered in SEZ approved list & whether we can get insurance invoice on SEZ site without GST.</p> <p>What is the Industry Practise followed for Medclaim expenses in SEZ unit</p>	<ul style="list-style-type: none"> • As per Section 26 of SEZ Act, 2005 read with Rule 27 of SEZ Rules, 2006, SEZ unit is entitled to procure services without payment of duty/ tax for its authorised operations. • A list of services has been notified by Ministry of Commerce (MOC) which is commonly known as uniform list of authorised services. Uniform list of services generally covers the services procured directly in relation to business of unit. • General insurance business services is included in the uniform list of authorised services for SEZ units. • Medical insurance policy for SEZ employees cannot be covered under general insurance business service and accordingly GST shall be payable in respect of such services i.e., zero-rated benefit shall not be available.



S. No.	Querist Name	Category	Query from member	Response by BDO Team
34.	Balaji Narayanamurthy Kyndryl Solutions Private Limited, Chennai, India.	SEZ	<p>This is in continuation of our earlier correspondence and discussions regarding the proposed removal of duty paid batteries (Non IT assets) from our SEZ unit to the Domestic Tariff Area (DTA) as scrap, wherein it has been categorically clarified that:</p> <ul style="list-style-type: none"> • The goods were procured on payment of applicable duties, • No exemption under Section 26 of the SEZ Act, 2005 has been availed, and • The said goods being removed have been processed for a few years for authorized operations <p>We have submitted our request to the SEZ office; however, the officer is not accepting SEZ Rule 49(4) as it applies for goods "without any processing", whereas the batteries are indeed processed.</p> <p>Additionally, the Officer is applying 49(1) and thereby applying depreciation principles and since the depreciable value is more than the sale value, it is requested to pay duty based on depreciated value. We understand that Rule 49(1) of the SEZ Rules, 2006 provides for depreciation in respect of capital goods on which duty-exemption was originally availed, not for goods on which the original duty/tax was paid.</p>	<ul style="list-style-type: none"> • As per Rule 49(4) of SEZ Rules 2006, a SEZ Unit may remove goods which were imported and admitted into SEZ on payment of applicable duty, into DTA without payment of duty provided goods are cleared without any processing and identity of goods is established to the satisfaction of the Specified Officer. • One of the most important condition under Rule 49(4) of SEZ Rules 2006 for removal of duty paid goods into DTA without payment of duty is that goods should not be processed and identity of goods is established to the satisfaction of the Specified Officer. • In the present case, since the batteries have undergone processing during the course of authorized operations, the provisions of Rule 49(4) of SEZ Rules 2006 shall not applicable. • Accordingly, such batteries can be removed into DTA on payment of applicable duty on the depreciated value in terms of Rule 49(1) of SEZ Rules, 2006. Further, there is no condition under Rule 49(1) of the SEZ Rules, 2006, that said Rule is applicable only in respect of clearance of goods into DTA which were imported/procured without payment of duty and taxes.

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Please note that contents in this document are only for informational purpose.

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

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

Please email your queries related to Indirect taxes, SEZ Act/ Rules/ Instructions, EOUs, Foreign Trade Policy, Direct Taxes etc. on query@epces.in

For queries regarding our services, please [get in touch](#) with us

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