
FTWZs - Problem in availing benefit of FTA using COO due to restriction imposed by customs automated system on claim of FTA benefit by implementation of one B/E per against one Certificate of Origin

3 messages

Director General SEZEPC <dg@sezepc.in>

22 June 2026 at 16:28

To: DG Systems & Data Management <dg.sys@icegate.gov.in>, "Sh Ajay Bhadoo AS(SEZ)" <astpd-doc@nic.in>, "Vimal ANAND JS(SEZ)" <vimal.anand@nic.in>, "Sh Gaurav Pundir Dir(SEZ)" <gaurav.pundir@gov.in>, Alok Gupta Addl Pr ADG ICEGATE <alok.gupta68@gov.in>

Cc: csoffice@nic.in, Anupam Prakash <anupam.prakash@nic.in>, DGEP New Email ID <dgep-sez@gov.in>, "Yogendra Garg Member , CBIC" <y.garg@nic.in>, membercus.cbic@gov.in, DG Export Promotion <dgep-dor@nic.in>, Sunil Rallan <sunilrallan@gmail.com>

Dear Sir

Please refer to the trailing email dated 18.6.2026 regarding the problem being faced by the FTWZs in claiming FTA benefits on imports using COO due to ICEGATE implementation of imports for FTWZ.

In case of FTWZs, the goods are imported in bulk by one z type of Bill of Entry and then these goods are cleared into DTA in lots as per requirement. Duty liability is at the time of DTA clearance.

Presently, while filing B/E for import of goods into the FTWZ , they declare the COO under the FTA notifications. At the time of DTA clearance, as per the recently introduced system, the same COO cannot be declared, whereas the preferential duty is required to be claimed at the time of DTA clearance only.

This is because of enforcing "**one B/E against one COO**". Subsequent DTA clearances from FTWZ against the same imported stock **cannot declare the original COO**.

It may kindly be noted that once a shipment is imported under a Z type B/E, an inventory ledger is created in the customs automated system. DTA clearance is permitted against this inventory. In other words there is a correlation between the inward and outward bills of entry.

In fact, the customs system should verify the fulfilment of origin criteria (COO) at the time of import into the FTWZ itself. Thereafter, clearance against a lot verified by customs can happen as per the requirements of the trade based on the the inventory ledger for this COO verified import.

It is requested that this problem may kindly be addressed on priority as it is creating that FTWZ imports and further clearance into DTA are unable to take advantage of preferential customs duty under FTAs.

Regards

Alok Chaturvedi

Director General

Export Promotion Council for EOUs and SEZs,

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Export Promotion Council for EOUs and SEZs,

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----- Forwarded message -----

From: **Kautak Singh (DHL IN)** <Kautak.Singh@dhl.com>

Date: Mon, 22 Jun 2026 at 13:10

Subject: RE: Representation regarding restriction imposed by customs automated system on claim of FTA benefit by implementation of one B/E per against one Certificate of Origin

To: Director General SEZEPC <dg@sezepc.in>

Sir

There is no duty liability as long as the goods remain in the FTWZ. However, while filing B/E for import of goods into the FTWZ we are declaring the COO under the FTA notifications.

Best regards

KK Singh

Kautak K Singh | Head – Customs Compliance | DHL Logistics Pvt. Ltd

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From: Director General SEZEPCC <dg@sezepc.in>

Sent: Monday, June 22, 2026 12:01 PM

To: Kautak Singh (DHL IN) <Kautak.Singh@dhl.com>

Subject: Re: Representation regarding restriction imposed by customs automated system on claim of FTA benefit by implementation of one B/E per against one Certificate of Origin

But when you import into FTWZ, isn't it duty free ? Or is it preferential duty paid?

On Thu, 18 Jun 2026 at 18:27, Kautak Singh (DHL IN) <Kautak.Singh@dhl.com> wrote:

Sir

Once a shipment is imported under a Z type B/E, an inventory ledger is created in the customs automated system. DTA clearance is permitted against this inventory. In other words there is a correlation between the inward and outward bills of entry.

You may please consider proposing that customs can verify the fulfilment of origin criteria at the time of import into the FTWZ itself. Thereafter, clearance against a lot verified by customs can happen as per the requirements of the trade.

This is how the system is designed as far as the SIMS formalities are concerned (Steel Import Monitoring System). It is done at the stage of filing of inward B/E.

Best regards

KK Singh

Kautak K Singh | Head – Customs Compliance | DHL Logistics Pvt. Ltd

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From: Director General SEZEPCC <dg@sezepc.in>

Sent: Thursday, June 18, 2026 5:32 PM

To: Kautak Singh (DHL IN) <Kautak.Singh@dhl.com>

Subject: Re: Representation regarding restriction imposed by customs automated system on claim of FTA benefit by implementation of one B/E per against one Certificate of Origin

Is there anyway / documentation of linking DTA clearance (BoE) with original imports (BE cleared with a particular COO) from abroad

Regards,

Alok Chaturvedi

DG,EPCES

On Thu, 18 Jun 2026 at 16:59, Kautak Singh (DHL IN) <Kautak.Singh@dhl.com> wrote:

Respected Sir

We, DHL Logistics Pvt. Ltd. operate as a service unit in FTWZs located in Maharashtra and Tamil Nadu.

We wish to bring to your kind attention a critical issue arising from a recent modification in the Indian Customs Automated system, whereby **only one Bill of Entry can be processed against one Certificate of Origin (COO) for claiming preferential duty under Free Trade Agreements (FTAs).**

Background and Industry Practice

1. Under prevailing trade practices, particularly for **Free Trade Warehousing Zones (FTWZs)**:
 - Goods are imported in bulk consignments under valid FTAs against a **single COO**.
 - The goods are subsequently **warehoused in FTWZs**.
 - Clearances into the Domestic Tariff Area (DTA) are undertaken **in multiple consignments** over time, depending on:
 - Just-in-Time (JIT) manufacturing requirements
 - Customer demand and supply chain considerations
 - Working capital optimization
2. This operational model is **recognized and widely adopted** to improve supply chain efficiency and reduce logistics costs.

Issue Arising from System Restriction

The recent system change enforcing **“one B/E against one COO”** effectively implies:

- Preferential duty benefit under FTAs can be **availed only once against a single Bill of Entry**.
- Subsequent DTA clearances from FTWZ against the same imported stock **cannot utilize the original COO**.

This creates the following challenges:

1. Defeat of FTWZ Objectives

- FTWZ is designed to facilitate **deferred customs clearance and demand-based distribution**.
- The restriction compels importers to:
 - Either clear goods fully in one lot, or
 - Forego FTA benefits on subsequent clearances

2. Increased Logistics and Transaction Costs

- Importers may be forced to:
 - Split imports artificially into multiple smaller shipments
 - Obtain multiple COOs, raising compliance burden and cost

3. Negative Impact on Ease of Doing Business

- The change introduces **operational rigidity** inconsistent with modern supply chain practices.
- It adversely affects sectors relying on **JIT inventory models** (e.g., automotive, electronics, pharma).

Legal and Regulatory Position

It is respectfully submitted that the restriction appears **not supported by the existing legal framework**, as explained below:

1. Customs Act, 1962

- The Act **does not prescribe any restriction** limiting use of a COO to a single clearance or shipment.
- Notifications issued under the Act do not place any such restrictions.
- The SEZ Act and Rules allow **multiple clearances** from the same imported lot.

2. FTA Rules of Origin

- Various FTAs (ASEAN, Japan, Korea, etc.) provide that:
 - COO establishes the originating status of goods at the time of import.
 - There is **no explicit requirement** that COO must be consumed in a single transaction.

3. CAROTAR, 2020

- CAROTAR focuses on:
 - Verification of origin
 - Documentation requirements
 - Importer due diligence
- It does **not mandate “one B/E against one COO”** or restrict proportional utilization of COO across multiple clearances.

Operational Inconsistency

- The system-driven restriction appears to be a **procedural/technical limitation**, rather than a legally mandated one.
- Such system constraints should not override **statutory provisions or trade facilitation objectives**.

Industry Implications

If continued, the current approach may lead to:

- Under-utilization of FTWZ infrastructure
- Reduced attractiveness of India as a distribution hub
- Increased compliance burden and transaction costs
- Supply chain inefficiencies for multinational corporations

Prayer / Request

In view of the above, we request DGEPCEs to kindly:

1. **Take up the matter with the MoC and the CBIC (DG Systems) to:**
 - Enable the Customs EDI system to allow:
 - **Partial utilization of a COO across multiple clearances**
 - Linking of COO to the original import consignment rather than each DTA clearance
2. **Recommend issuance of a suitable circular or advisory:**
 - Clarifying admissibility of FTA benefits for multiple clearances from FTWZ stock against a single valid COO
3. **Ensure alignment of system design with trade facilitation objectives:**
 - Particularly for warehousing, FTWZs, and distribution hubs

The current restriction significantly undermines the benefits of FTAs and the intended role of FTWZs in facilitating efficient trade and supply chain management. A timely intervention will help restore alignment between **policy intent, legal provisions, and system implementation**. It is pertinent to note that FTA benefit is claimed on satisfaction of origin criteria. This aspect is fulfilled on production of a COO. Hence, there is **no adverse impact on revenue**.

If required, we shall be happy to discuss the issue in person and submit any further information required by your office.