



Director General SEZEPCC &lt;dg@sezepcc.in&gt;

## Implementation of Budget Announcement - SEZ to DTA on concessional customs duties

3 messages

Director General SEZEPCC &lt;dg@sezepcc.in&gt;

8 March 2026 at 18:22

To: csoffice@nic.in, secy-ipp@nic.in, RSECY@nic.in, ceo-niti@gov.in

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Dear Sir(s)

As you are aware, the Hon'ble Finance Minister proposed in her budget speech to facilitate sales by eligible manufacturing units in SEZs to the Domestic Tariff Area (DTA) at concessional duty rates. The quantity of such sales will be limited to a prescribed proportion of their exports. Necessary regulatory changes will be undertaken to operationalise these measures while ensuring a level playing field for the units working in the DTA.

2. In this regard, it may kindly be noted that in all major countries having SEZ programs such as China, US, UK, Indonesia, etc , it is a standard provision that access to domestic market is allowed on reversal of duty benefits taken on inputs consumed in the finished goods which are being supplied to domestic market. Manufacturers are given additional flexibility to pay customs duties at the finished goods rate if it is advantageous to them. A detailed note on country wise provisions regarding SEZ to DTA is attached. It is not clear as to why we are so much worried as if this provision will harm industries in domestic tariff area. Of course , if someone asks domestic industries that have no presence in SEZs, they will always naturally oppose this access, sometimes without understanding the operations of units in SEZs.

3. In this regard, following further points may kindly be taken into consideration:

(i) This provision—access to the domestic market upon reversal of duty benefits taken on imported inputs consumed in manufacturing finished goods - is already available in the EOU and MOOWR schemes for all products. No harm as such has been reported to the industries in the domestic tariff area.

(ii) SEZ units must fulfil the Net Positive Foreign Exchange Earning condition as per SEZ Rules. Furthermore, operating in SEZs involves many restrictions and a significant compliance burden. No industry will be established solely to serve the domestic market. What is being asked is just fair access to the significant niche domestic market which is currently served by imports from countries like China or other nations under various Trade Agreement at zero/concessional duty. Global investors who have set up their manufacturing units in Indian SEZs fail to understand why they must pay full MFN customs duties on supplies to the Indian domestic market while the same items can be imported from foreign countries at zero or concessional duty—sometimes even

from the investors' own factories located in those foreign countries. For them, the Indian domestic market is just one more market within the global market and they will supply at the cheapest cost possible from their factories located in different countries. In global decision-making, Indian SEZs lose out because investing in them becomes too complex.

(iii) India loses out on additional investment in Indian SEZs, along with the corresponding loss of employment generation and revenue, if Indian SEZs are not allowed fair access to the Indian domestic market currently served by imports.

(iv) Furthermore, restrictions on access to the Indian domestic market reduce economies of scale, making exports from Indian SEZs less competitive.

4. In view of the above, it is requested that as part of global practice, SEZ to DTA supplies should be made available on the reversal of duties on inputs consumed in the finished goods, following the pattern of MOOWR/EOUs.

5. Despite above, if the Government considers adopting a complex mechanism of applying specific concessional duties only to certain goods (which is against the Government initiative to simplify and improve the Ease of Doing Business), the following points may be considered:

(i) All imports from China or imports from different countries under different Trade Agreements at concessional duties should be allowed to be supplied from SEZ to DTA at concessional duties as per FTA (zero duty or concessional duty). In this regard, the proposal as per the trailing email sent earlier on 16.2.2026 may kindly be considered.

(ii) All goods from SEZ to DTA in labor-intensive sectors—Textiles and Leather, Footwear—should be allowed on reversal of duties on imported inputs.

(iii) All goods in the defense, space, R&D, and high-tech sectors may be allowed to DTA units including PSUs/Government Agencies, upon reversal of duties on imported inputs.

With regards

(Alok Chaturvedi)

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

From: **Director General EPCES** <[dg@epces.in](mailto:dg@epces.in)>

Date: Mon, 16 Feb 2026 at 05:46

Subject: Import Substitution by SEZ units - SEZ to DTA on concessional customs duties - identification of products (HS codes)

To: Vimal ANAND JS(SEZ) <[vimal.anand@nic.in](mailto:vimal.anand@nic.in)>

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