

Misinterpretation of DGFT Import Restrictions by Banks

4 messages

SGJMA <sgjma@sgjma.in>

2 July 2026 at 16:22

To: Development Commissioner SEEPZ Special Economic Zone <dcseepz-mah@nic.in>
Cc: dgft@nic.in, vimal.anand@nic.in, dg dg <dg@epces.in>

SEEPZ Gems & Jewellery Manufacturers' Association

Business Facilitation Centre, 3rd Floor, Office No.2,
SEEPZ SEZ, Andheri (East), Mumbai - 400 096
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Website: www.sgjma.org
CIN: U36912MH1989GAP053844



Ref. No. SGJMA/2026-27/038

June 29, 2026

Shri Dnyaneshwar Patil, I.A.S.

Development Commissioner,
SEEPZ Special Economic Zone,
Andheri (East),
Mumbai - 400 096

Sir,

Sub: Misinterpretation of DGFT Import Restrictions by Banks

1. Background & Grievance

This is to bring to your kind notice a recurring issue where DGFT import restrictions intended for the Domestic Tariff Area (DTA) are incorrectly applied to Special Economic Zone (SEZ) units. This misinterpretation, which initially manifested among Customs authorities and has more recently spread to Authorised Dealer (AD) Banks, is creating severe operational bottlenecks, despite the distinct legal framework governing SEZs.

A similar issue arose in July 2023 when Import Policy of ITC (HS) code 71131911, 71131919 and 71141910 has been amended from "Free" to "Restricted" vide Notification No.19/2023 dated 12.07.2023 issued by DGFT. At that time, SEEPZ Customs had also taken a similar stand and withheld clearance of the subject goods, citing the change in import policy. Following representations made by Trade Associations and Export Promotion Councils (EPCs), the DGFT issued Policy Circular No. 03/2023-24 dated 14.07.2023, clarifying that **import made by SEZ units under these HS codes are outside the purview of Notification No.19/2023 dated 12.07.2023**. Copies of DGFT Notification No. 19/2023 dated 12.07.2023 and Policy Circular No. 03/2023-24 dated 14.07.2023 are enclosed herewith as **Annexure-1** and **Annexure-2**, respectively.

2. The Legal Framework Governing SEZ Imports

The misinterpretation by AD Banks overlooks the distinct, overriding legal framework established for SEZs:

- **SEZ Rules, 2006:** As per Rule 27(1) of SEZ Rules, SEZ units can import / procure from DTA, all types of goods required for authorized operations except prohibited items under the Import Trade Control (Harmonized System) Classifications of Export and Import Items. Therefore, goods whose import is classified as "Restricted" or made "subject to policy conditions" are not "prohibited" goods. Relevant extract of Rule 27(1) of SEZ Rules 2006 is enclosed as **Annexure-3**.

- **Foreign Trade (Development & Regulation) Amendment Act, 2010:** Proviso to Section 5 of the Foreign Trade (Development and Regulation) Act, 1992, as inserted by the Foreign Trade (Development and Regulation) Amendment Act, 2010 (Act No. 25 of 2010) explicitly establishes that the Foreign Trade Policy (FTP) does not automatically apply to SEZs unless expressly made applicable through a specific notification.

The proviso to Section 5 reads as under:

"Provided that the Central Government may direct that, in respect of the Special Economic Zones, the foreign trade policy shall apply to the goods, services and technology with such exceptions, modifications and adaptations, as may be specified by it by notification in the Official Gazette."

A copy of Foreign Trade (Development and Regulation) Amendment Act, 2010 is enclosed as **Annexure-4**.

3. Recent Amendments to Chapter 71 & Bank Misinterpretations

Over the last few years, the DGFT has amended the import policy/conditions for various precious metals and items under **Chapter 71 of Schedule-I (Import Policy) of ITC (HS) 2022**, as per the details given in below table:

Notification No. & Date	HS Codes Affected	Item Description	SEZ Status
No. 19/2023 Dt. 12.07.2023	71131911, 71131919, 71141910	Gold items	Clarified by Circular 03/2023-24 that SEZs to be outside the restriction purview.
No. 35/2023 Dt. 11.10.2023	71069110, 71069290	Silver items	No explicit clause stating SEZs to be outside the restriction purview.
No. 44/2023 Dt. 20.11.2023	71081200	Gold items	No explicit clause stating SEZs to be outside the restriction purview.
No. 57/202 Dt. 15.01.2024	71069210, 71069290	Silver items	No explicit clause stating SEZs to be outside the restriction purview.
No. 17/2024-25 Dt. 11.06.2024	71131912, 71131913, 71131914, 71131915, 71131960	Gold items	No explicit clause stating SEZs to be outside the restriction purview.
No. 08/2025-26 Dt. 19.05.2025	Various (7106, 7108, 7110 series)	Silver, Gold, Platinum	No explicit clause stating SEZs to be outside the restriction purview.
No. 18/2025-26 Dt. 17.06.2025	71102100 to 71104900	Platinum & Palladium	No explicit clause stating SEZs to be outside the restriction purview.
No. 34/2025-26 Dt. 24.09.2025	71131141, 71131149	Silver Jewellery items	No explicit clause stating SEZs to be outside the restriction purview.
No. 48/2025-26 Dt. 17.11.2025	71131921	Gold Jewellery components	No explicit clause stating SEZs to be outside the restriction purview.
No. 58/2025-26 Dt. 05.02.2026	71141920	Gold/Silver Articles	No explicit clause stating SEZs to be outside the restriction purview.
No. 63/2025-26 Dt. 16.03.2026	71131144, 71131145	Silver Jewellery parts	No explicit clause stating SEZs to be outside the restriction purview.

No. 02/2026-27 Dt. 01.04.2026	23 HS codes under 7113 & 7114	Gold/Silver Articles & Jewellery	Explicitly exempted SEZ units within the notification text.
No. 03/2026-27 Dt. 02.04.2026	18 HS codes (7109 to 7118 series)	Precious metals/articles	Explicitly exempted SEZ units within the notification text.
No. 17/2026-27 Dt. 16.05.2026	71069221, 71069229	Silver items	No explicit clause stating SEZs to be outside the restriction purview.
No. 19/2026-27 Dt. 02.06.2026	71061000, 71069110, 71069120, 71069190	Silver items	No explicit clause stating SEZs to be outside the restriction purview.

As can be seen from the above, while some recent notifications explicitly exempt SEZs, others do not feature an explicit carve-out clause. This inconsistency leads AD Banks to misinterpret the silence as an enforcement mechanism against SEZs.

4. The Core Issue with Piecemeal Clarifications

- Policy Circular No. 03/2023-24 provided immediate relief but was textually limited to Notification No. 19/2023 (covering only three specific HS codes for gold).
- Because subsequent notifications (as detailed above) do not consistently carry explicit text exempting SEZs, AD Banks, in several instances, refuse to process payments. They have taken the view that, in the absence of a general or notification-specific exemption, import policy restrictions applicable to the DTA automatically extend to SEZ units.

Copies of DGFT Notification No. 02/2026-27 dated 1st April 2026 and DGFT Notification No. 03/2026-27 dated 2nd April 2026, both of which expressly exempt SEZ Units from the applicability of the import policy restrictions contained therein, are enclosed as **Annexure-5** and **Annexure-6**, respectively.

5. Prayer / Request for Relief

To ensure ease of doing business and prevent ongoing financial and operational duress for export-oriented units, it is requested **that DGFT may issue a standing Trade Circular**, with reference to the proviso to Section 5 of the Foreign Trade (Development and Regulation) Act, 1992, as inserted by the Foreign Trade (Development and Regulation) Amendment Act, 2010 (Act No. 25 of 2010), clarifying that amendments made to the Import Policy under the Foreign Trade Policy, including notifications restricting the import of specified goods, **shall not apply to imports by SEZ units** unless such applicability is expressly provided through a notification issued by the Central Government.

This standing clarification would provide the necessary legal certainty and regulatory assurance to Authorised Dealer Banks and ensure timely processing of import remittances for SEZ units, thereby preventing avoidable disruptions to the export operations of SEZ-based exporters.

Thanking you,

Yours faithfully,

For **SEEPZ Gems & Jewellery Mfrs. Association**


Adil Kotwal

President

Copy to: (1) Shri Lav Agarwal, I.A.S., Additional Secretary & Director General, Directorate General of Foreign Trade, Vaniya Bhawan, 'A' Wing, 16 Akbar Road, New Delhi – 110011.

(2) Shri Vimal Anand, I.A.S., Joint Secretary, SEZ Division, Ministry of Commerce & Industry, Government of India, Room No. 443, Vanija Bhawan, 6 Akbar Road, New Delhi – 110 001.

(3) Shri Alok Vardhan Chaturvedi, I.A.S. (Retd.), Director General, Export Promotion Council for EOU & SEZs, A-101, 10th Floor, Himalaya House, 23, Kasturba Gandhi Marg, New Delhi – 110 001.

 **SGJMA Letter No.SGJMA_2026-27_038 Dt.29.06.2026 - Misinterpretation of DGFT Import Restrictions by Banks.pdf**
4202K

Director General SEZEPZ <dg@sezepz.in> 2 July 2026 at 17:10
To: DG DGFT <dgft@nic.in>, "Sh Ajay Bhadoo AS(SEZ)" <astpd-doc@nic.in>
Cc: Rakesh Kumar <r.kumar73@nic.in>, "Vimal ANAND JS(SEZ)" <vimal.anand@nic.in>, "Sh Gaurav Pundir Dir(SEZ)" <gaurav.pundir@gov.in>, Development Commissioner SEEPZ <dcseepz-mah@nic.in>

Dear Sir

Please refer to the email below from the Seepz Gems & Jewellery Manufacturers' Association (SGJMA) regarding the recurring difficulties being faced by the SEZ units due to application of general import policy restrictions notified by DGFT to the imports by SEZ units as well by Banks and Customs authorities.

As brought out in the email below, while some recent notifications explicitly exempt SEZs, others do not feature an explicit carve-out clause. This inconsistency leads AD Banks to misinterpret the silence as an enforcement mechanism against SEZs. Policy Circular No. 03/2023-24 provided immediate relief but was textually limited to Notification No. 19/2023 (covering only three specific HS codes for gold). Because subsequent notifications (as detailed in the email below) do not consistently carry explicit text exempting SEZs, AD Banks, in several instances, refuse to process payments. They take the view that, in the absence of a general or notification-specific exemption, import policy restrictions applicable to the DTA automatically extend to SEZ units.

It may kindly be appreciated that As per Rule 27(1) of SEZ Rules, SEZ units can import / procure from DTA, all types of goods required for authorized operations except prohibited items under the Import Trade Control (Harmonized System) Classifications of Export and Import Items. Therefore, goods whose import is classified as "**Restricted**" or made "**subject to policy conditions**" are not "**prohibited**" goods. Relevant extract of Rule 27(1) of SEZ Rules 2006 is enclosed as **Annexure-3** of the email below.

Copies of DGFT Notification No. 02/2026-27 dated 1st April 2026 and DGFT Notification No. 03/2026-27 dated 2nd April 2026, both of which expressly exempt SEZ Units from the applicability of the import policy restrictions contained therein, are enclosed as **Annexure-5** and **Annexure-6**, respectively to the email below.

To ensure ease of doing business and prevent ongoing financial and operational duress for export-oriented units, it is requested **that DGFT may issue a standing Trade Circular**, with reference to the proviso to Section 5 of the Foreign Trade (Development and Regulation) Act, 1992, as inserted by the Foreign Trade (Development and Regulation) Amendment Act, 2010 (Act No. 25 of 2010), clarifying that amendments made to the Import Policy under the Foreign Trade Policy, including notifications restricting the import of specific goods, **shall not apply to imports by SEZ units** unless such applicability is expressly provided through a notification issued by the Central Government.

Regards

Alok Chaturvedi
DG, SEZEPZ

Alok V Chaturvedi, IAS(Retd) | Director General,

Mobile +91 8130525959 | Tel: +91 11 23329770

Email : dg@epces.in

Export Promotion Council for EOU and SEZs,

A101, 10th Floor Himalaya House 23, KG Marg, New Delhi, Delhi 110001

[Quoted text hidden]

[Quoted text hidden]

To ensure ease of doing business and prevent ongoing financial and operational duress for export-oriented units, it is requested **that DGFT may issue a standing Trade Circular**, with reference to the proviso to Section 5 of the Foreign Trade (Development and Regulation) Act, 1992, as inserted by the Foreign Trade (Development and Regulation) Amendment Act, 2010 (Act No. 25 of 2010), clarifying that amendments made to the Import Policy under the Foreign Trade Policy, including notifications restricting the import of specific goods, **shall not apply to imports by SEZ units** unless such applicability is expressly provided through a notification issued by the Central Government.


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Director General SEZEP <dg@sezepc.in>
To: SGJMA <sgjma@sgjma.in>

2 July 2026 at 17:11

[Quoted text hidden]

 **SGJMA Letter No.SGJMA_2026-27_038 Dt.29.06.2026 - Misinterpretation of DGFT Import Restrictions by Banks.pdf**
4202K

Chandrakant Mishra <ck.mishra@nic.in>
To: dg <dg@sezepc.in>
Cc: Ramesh Verma <rameshk.verma@nic.in>, HARISH JOSHI <hc.joshi@nic.in>

2 July 2026 at 17:39

Sir,
Noted the issue.
We will take this up on file pls.

Regards
C K MISHRA

===== Forwarded message =====

From: Director General SEZEP <dg@sezepc.in>
To: "DG DGFT" <dgft@nic.in>, "Sh Ajay Bhadoo AS(SEZ)" <astpd-doc@nic.in>
Cc: "Rakesh Kumar" <r.kumar73@nic.in>, "Vimal ANAND JS(SEZ)" <vimal.anand@nic.in>, "Sh Gaurav Pundir Dir(SEZ)" <gaurav.pundir@gov.in>, "Development Commissioner SEEPZ" <dcseepz-mah@nic.in>
Date: Thu, 02 Jul 2026 17:10:35 +0530
Subject: Misinterpretation of DGFT Import Restrictions by Banks
===== Forwarded message =====

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**Regards,
C K Mishra
Additional DGFT
DGFT HQ**