EPCES
Goverment Of India

Director General EPCES <dg@epces.in>

Suggestions by EPCES (SEZ EPC) - Measures to mitigate impact of high US Tariff on Indian imports

1 message

Director General EPCES <dg@epces.in> 28 August 2025 at 13:05
To: DG DGFT <dgft@nic.in>, OSD cum Special Secretary Commerce <rajesh.agrawal@nic.in>
Cc: Gaurav Pundir <gaurav.pundir@gov.in>, VIMAL ANAND <vimal.anand@nic.in>, ss.lss-doc@gov.in, csoffice@nic.in

Dear Sir(s)

Please refer to the VC meeting on 27 August 2025 at 5:00 PM under the chairmanship of Shri Rajesh Agrawal, Special Secretary for discussion on issues in trade related to the current global scenario. EPCs were asked to give their suggestions in writing.

The suggestions by EPCES are as follows :

(i) While it is appreciated by trade that the Government is looking into resolving EODB issues faced by exporters on priority, the impact of high US tariffs is real on units/factories exporting to the US and factories are getting closed and job losses have started happening in view of cancellation of US orders, etc. Exporters were expecting that there will be some agreement with the US Government and such a high 50% additional tariff will not be a reality. Therefore , since it has become a reality, it is requested that some immediate emergency measures may be taken to neutralise this impact , at least for a quarter or so till units/exporters can take alternate measures to mitigate the adverse impact depending upon their circumstances. A direct measure can be that the Government neutralises part of this additional 50% tariff on exports to the US for three months or so. The increase may be shared by exporters, their clients and Government equally. Thus , about 30% of additional tariffs on exports to the US may be borne by the Government urgently and given to exporters in terms of drawbacks/scrips or some alternate mechanism. While 30% of exports to US ($27.6 billion) will remain duty-free and 4% ($3.4 billion, mainly auto parts) will face a 25% tariff, the bulk—66% ($60.2 billion) covering apparel, textiles, gems & jewellery, shrimp, carpets, and furniture—will be hit with a 50% tariff, Thus, the fiscal burden of Government could be (@ 30% of additional tariff) about US$ 2.32 Billion (about Rs 20,327 cr) per quarter [1/4 of {30% of (3.4* 25%) + (60.2*50%)}]. It can be varied depending upon fiscal space available to the Government. This will give exporters some immediate relief to bear this impact for at least a quarter and then they can adjust to the new reality.

(ii) SEZ units and EOUs exporting to the US face a similar additional burden and they should be covered under the above package. Exports to the US from SEZs and EOUs were US $21.60 billion. HS code wise details and sectoral details for SEZs are attached. Affected exports for SEZs and EOUs will be to the tune of US $ 10 Billion which is part of (i) above only.

(iii) While SEZ to DTA supplies on duty foregone is independent long term reform for attracting investment in SEZs, it may be expedited so that vacant capacity can be utilised and adverse impact of high US tariffs may be mitigated. Further, reverse job work (SEZ doing job work for DTA) may also be streamlined.

(iv) Lease rent for SEZ units exporting to the US in the affected sectors may be exempted for one year. This can be easily done without recourse to Government funds as SEZ authorities in different Government SEZs have sufficient funds which has been collected from SEZ units only.

(v) SEZ units suffering huge EoDB related issues for the last one year due to rollout of incomplete ICEGATE in SEZs since 1.7.2024 without adequate testing, preparation and training. Even simple transactions of filing shipping bills and Bill of Entries have not yet been streamlined. There are delays in getting documents for clearance of cargo from SEZs to ICDs/Ports/airports. ICEGATE implementation is also not in tune with SEZ Rules creating compliance issues for MNC companies operating in SEZs.

(vi) EOUs are facing problems due to rollout of incomplete automation of IGCR on ICEGATE with effect from 25.9.2024. The processes of filing returns , getting re-credits in Bond have not yet been streamlined. Huge time and cost resources of EOUs are wasted.

(vii) Many SEZ units are not able to get RoDTEP benefits due to difficulties in generation of scroll because of EGM to be filed by shipping lines again due to incomplete implementation of ICEGATE for filing shipping bills. Export cycle needs to be streamlined.

(viii) SEZ units are not being given ROSTCL benefits which are available to DTA. Immediate ROSCTL benefits based on DTA rates may be made available to SEZ units.

(ix) Steel Import Monitoring System and QCO monitoring by the Steel Ministry has created further EoDB problems for SEZ and EOUs. QCOs are supposed to be enforced at ports (as is the case with all other QCOs) and not at the Ministry level (for Steel related QCOs). QCOs have been made for products which are not even produced domestically and exporters cannot wait till the products are produced domestically. Further, exports are to be made as per the requirement of international clients which specify the product and the producer as well for meeting their quality requirements. QCOs should be discontinued for products which are not produced domestically.

(x) Various import restrictions such as MIP, port restrictions , etc. are put on imports by SEZs and EOUs even though there are specific provisions in SEZ Rules and EOU related provisions in Foreign Trade Policy 2023 that except prohibited goods , all type of goods can be imported by them. DGFT should, as a policy, mention in their notifications that import restrictions will not be applicable to imports by SEZs and EOUs.

(xi) Export Mission and other exports and MSME related announcements made the budget need to be operationalised urgently.

(x) Interest Equalisation Scheme should be restored at the earliest.

(xi) Export Duty should not be applicable for supplies of goods from DTA to SEZ. This has been enforced through SEZ Rules which cannot be done. The Supreme Court has also held itto be illegal. DTA can use these goods for exports but SEZ units cannot procure it from DTA for manufacturing export products. SEZ rule 27(1) fifth proviso should be deleted.

A detailed submission on EODB related issues being faced by SEZs and EOUs is attached. A presentation made by EPCES on 21.4.2025 in the meeting taken by DoC on 21.4.2025 for mitigating adverse impact of US Tariff is also attached. The situation has worsened since then.

With regards,

(Alok Chaturvedi)

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Export Promotion Council for EOUs (Export Oriented Units) and SEZs (Special Economic Zones) (EPCES) is a multi-product Export Promotion Council set up by the Ministry of Commerce and Industry, representing the interests of SEZ units, SEZ developers and Export Oriented Units. It has 5971 members with 4629 SEZ units, 384 SEZ developers and 958 EOUs. In FY 2023-24, total exports of goods and services from SEZs were recorded at US $ 163.69 billion and export of goods from EOUs at 17.2 billion.

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4 attachments

Exports SEZs to USA 2024-25.pdf
336K

Issues in EoDB in respect of SEZs and EOUs (1).docx
25K

Exports to USA from SEZs & EOUs.xlsx
14K

EPCES Presentation for DoC Meeting 21.4.2025-Mitigating Adverse Impact of US Tariffs on SEZs and EOUs.ppt
316K