



SEZ and EOUs – EoDB problems

Presentation before D/o Commerce

by

Export Promotion Council for EOUs and SEZs

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Thanks

- **First of its kind meeting called by DoC**
- **It may be made a regular affair as problems cannot be resolved in one shot and frequent consultation with CBIC and other Ministries required**
- **At least Industry be made aware of the Status**
- **Key pending issues in this meeting. There are other issues too**

SEZ to DTA on Concessional Duty



- Industry is disappointed with concession
- 80% of DTA sales no concession, 13% only 1% concession.
Hardly any takers. Basis not known
- Imports under FTA will not be substituted by SEZ units
- Sudden, on 31.3.2026, with effect from 1.4.2026 ?
- It should be for a longer period – 3 years and for cap should be 50% rather than 30%
- EoDB Issues
 - Taking certificate from DC. Any online facility ?
 - Drawback unavailable for DTA inputs used in the goods
 - A doubt clearing session may be arranged.

Analysis of Concession for Top 200 HSN codes DTA Supplies FY 23-24



Concession	Sum of DTA Sales FY 2023-24 (mn USD)	
1	4,177.86	
2.5	238.36	Medical implants, optical and medical instruments
3.5	106.60	Plastic and Linoleum Engineering Goods
5	525.99	Engineering Goods Electronics Goods Plastic & Linoleum
7.5	539.66	Electric Equipment & Electronics, Power converters, Transformers Knitted/Woven/crocheted fabrics, Man-made fibres PVC (Plastic) Perfumes and cosmetics
15	31.59	LED lights and Furniture and lights
20	70.31	LED cells and footwear
No concession	24,948.04	
Grand Total	30,638.40	



Endorsement of Invoices for DTA to SEZ

- **Every invoice for DTA to SEZ supply has to be physically endorsed to avail GST benefits (SEZ Rule 30(4) / CGST Rule 89(1)(a) and (b))**
- **This was not there before GST/Service Tax**
- **Complaints of rent seeking, huge pendency**
- **DTA as well as SEZ units file GST return**
- **Mostly DTA units take ITC instead of GST refund**
- **It should be made**
 - **Endorsement only for those who take GST refund**
 - **On self certification basis, subject to audit, or**
 - **Automatic online, subject to audit, or**
 - **RMS/sample checking only**

Simplification of Reporting in SEZs (Services)



- Services and Manufacturing reporting formats should be separate
- There should be a single reporting of all export invoices which will be used by SEZ authorities for evaluating Softex certification/ DSPF /MPR/QPR and SERF
- TCS has 62 SEZ units under various SEZ authorities. MPR by 10th, SERF by 10th, APR by Sept, Softex by 30th, DTA Service Procurement Form by 20th, QPR by 10th as Developer. This needs to be simplified
- Pan India SEZ SERF reporting is by 10th, in IFCA it is by 5th. Banks should not be required to file MPR.
- Currently, units have to report same data to various agencies. All Offsite (Softex) and Onsite export (SERF) through STP/SEZ modules, same export data reported to GST authorities, all physical imports/services is captured through Customs/Banks under IDPMS, all FE earnings are captured through EDPMS. Needs streamlining

TDS demand notices to SEZ units on rental payments



- **SEZ authorities have not got tax exemption under Section 10(46) of Income tax for its income.**
- **This has resulted in unnecessary TDS demand on rent payments against SEZ units.**
- **SEZ authorities should obtain tax exemption under Section 10(46) in time. SEZ units should not be asked for TDS by IT authorities.**

Export Duty on DTA to SEZ supplies



- **Supreme Court , on 28.8.2025, dismissed Government appeal**
- **This is unfair for SEZ units as DTA units can use the same good to make another finished good**
- **Export duty should be levied only when that good is exported and not when supplied by DTA as input to be used for making another export goods**
- **It is understood that the matter is pending with D/o Legal Affairs**

Problems being faced by AMRL SEZ Tirunelveli, TN



- **Developer a JV of AMRL Hitech City and TIDCO.**
- **Developer under NCLT/IBC proceeding**
- **Lack of infrastructure facilities**
- **No O&M**
- **Units are facing huge problems**
- **Administrator needs to be appointed as per SEZ Act/Rules**



Job-work for DTA

- **Presently, SEZ units can do job work for DTA units for export purposes only. (SEZ Rule 43)**
- **SEZ Units should be allowed to do job work for DTA Units without this export linkage, s.t. NFE condition**
- **This is especially required for DTA units/Public Sector units in aerospace, space, defense, high tech, etc. (HAL,ISRO, BEML,DRDO)**
- **This may also lead to import substitution**

RoDTEP benefits to exports through FTWZ



- **When exports are made to Dubai/Singapore warehouses/ Free Zones, RoDTEP benefits are admissible**
- **When through FTWZ in India, benefits not available.**
- **Discouraging exports through Indian FTWZs**
- **FTWZs are also SEZs. RoDTEP benefits should be allowed. FTP para 4.55(ix) be amended.**

Vacant NPA in IT/ITES SEZs to be allowed to be de-notified



- **Many IT/ITESSEZs have vacant in NPA**
- **These area may be allowed to be de-notified or developer be allowed to construct any non-SEZ commercial development within the permissible ratio of NPA as per Instruction No 30.**
- **Need for having a relook of Rules and Instructions concerning development of NPA**

Rooftop Solar Power Plants with fiscal benefits to SEZ Developers



- **Instruction No 116 dt 21.6.2024 – DCs requested to consider such request in terms of Para 1(i) of power guidelines dated 16.2.2016, i.e. In Non Processing Area**
- **This means rooftop to be declared as Non Processing Area**
- **Requests pending. DC MEPZ has sought clarification. Comments from DGEP have been sought**

SEZ to MOOWR supplies to be NFE positive



- Supplies of goods to other SEZ units and EOUs counted as NFE + under Rule 53 A(j)
- Supply to MOOWR or Bonded Warehouse has not been specifically mentioned as NFE +
- Earlier, Apple manufacturing was abroad. Components were being exported abroad and were NFE +
- Now Apple manufacturing moved to MOOWR unit. SEZ units now supply same components to MOOWR unit and then products are exported. SEZ to MOOWR not being counted as NFE+
- SEZ units not getting advantage of NFE + even though final product is still exported and Foreign Exchange earning



FTWZ Issues

- **FTWZs to be promoted just like GIFT City to bring warehousing business from Dubai, Singapore and Hong Kong to India**
- **Warehousing to be treated as export of services just like software exports, if India wants to be logistics hub (proviso of Sec 13(3)(a), IGST Act to be introduced)**
- **A separate meeting may be called to discuss their problems**
- **Instruction No 117 dated 24.9.2024 – many restrictions have been imposed on FTWZs just because some fraud took place in some Warehousing unit in some SEZ. Detailed representation submitted**



FTWZs as ports for imports of new cars

- Imports of new cars is governed by import policy condition 2(II)(d) of Chapter 87 of ITC(HS) 2022, Schedule 1
- Basically there is a list of 18 ports /ICDs through which import of new cars allowed
- FTWZs are also ports under the Customs Act
- They also have excellent infrastructure
- They should also be included in the list
- DGFT and D/o Heavy Industry to be followed up

Contract Manufacturing Services in SEZs



- **Clarification/guidelines be issued for zero rating of (export of) contract manufacturing services covered under 2nd proviso of Sec 13(3)(a), IGST Act**
- **Thus, instead of treating as import of goods and components and then exports of finished goods, it should be treated as export of contract manufacturing services.**
- **This may also avoid high US tariff on export of goods from India**

Import into SEZ/FTWZ not to be subjected to RMS/PGA clearances



- Imports into SEZ/FTWZ should not go through Customs RMS/routine examination/PGA clearances. This is also provided under SEZ Rule 27(10) and 28(5).
- However, following ICEGATE rollout in SEZs, they are being subjected to RMS and 90% of goods are being subjected to examination leading to delays and JIT deliveries and against the concept of SEZ
- SEZ/FTWZ to DTA should be subjected to RMS/PGA clearances

Import Policy restrictions should not be applicable to SEZs/EOUs



- All non-prohibited goods are allowed to be imported into SEZs and EOUs as per SEZ Rule 27(1) (for SEZs) and para 6.01(d) of FTP 2023 (for EOUs)
- They should apply only when goods are supplied into DTA
- DGFT may issue a general order/notification in this regard.
- Import policy restrictions imposed by DGFT/other Ministries (such as Quality Control Orders, MIP, IMS, Port restrictions, PGA clearances, etc.) should not, ipso facto, apply to imports by SEZs and EOUs and whenever issued, should specifically mention that they will not be applicable to SEZs and EOUs so that Customs may allow such imports into SEZs and EOUs.
- Case of import of used car for R&D and testing purposes by Mercedes-Benz SEZ unit through ports other than Mumbai

ICEGATE issues

- **All modules still not available on ICEGATE (email sent)- A state of sub-optimal equilibrium**
 - SEZ/FTWZ to MOOWR, SEZ/FTWZ to EOU, SEZ/FTWZ to Bonded Warehouses and vice versa. FSSAI linking disabled for Bond to Bond outbound BOEs w.e.f 22.1.2026.
 - SEZ to Bond and Bond to SEZ BOE filed through NSDL portal should be accepted at all ports.
 - Joint filing in case of foreign clients (custodian vs actual importer) not available for FTWZ –distinction between custodian and importer/owner
- **ICEGATE still not smooth for exports and imports**
 - Huge no of pending RoDTEP scroll generation cases due to non linking of EGM and automation of Allow for Shipment by gateway port officer
 - Delay in getting OTP
 - Delay in receiving LEO copy after grant of LEO
 - E-sanchit not working at times

Abolishing Import Monitoring Systems



- **No need of Import Monitoring Systems. Data already available with DGFT/DGCIS**
- **High Level Committee on Non-Financial Regulatory Reforms has already recommended revoking**
- **Even if these IMSs are continued putting hurdles in EODB, they should be enforced only at the time of import from abroad and not at the time of SEZ/EOU to DTA transactions because of the following:**
 - **If imported material has already been registered at the IMS, if the goods made out of it are again registered under IMS, it will lead to double counting of imports.**
 - **If the goods have been made from domestic steel/paper, even the domestic steel/paper will also be counted in the imported steel which is not correct.**
- **SIMS/PIMs should not be required for small quantities of imports or transfer to DTA**



Other Issues

- **Canteen services in SEZs should be authorised operations. BOA decision should be with prospective effect**
- **Unable to import bullion/precious metal as a QS IFSC status holder in GIFT CITY SEZ because, they are a unit and do not have a separate warehouse. As per SEZ rules, unit should file its own BOE using its own warehouse and IEC code. Their goods will be stored in secured vaults in GIFT CITY.**
- **EOUs should be entitled to claim duty drawback even when using 100% indigenous raw materials like DTA exporters**
- **Intimation instead of permission for subcontracting by EOUs**
- **Problem due to mandatory Input Service Distributor (ISD) for SEZ units (forced ITC flow) under the same PAN as DTA**



Thank you