

Submission by the Export Promotion Council for EOUs and SEZs
Interaction of HCIM with EPCs and IAs
29.4.2026

1. SEZ to DTA supplies on concessional custom duty as per the budget announcement is a welcome measure. However, the following points should be considered
 - a. It should not be a temporary measure just for one year as it is difficult to arrange supply chains just for one year. It should be for a longer period of say 3-5 years or permanent feature of the SEZ
 - b. Concessional Duties are very high as compared to the duty foregone rates. It should be equal to the drawback rates fixed by the Dept of Revenue which are basically duty foregone rates. A small percentage upto 1% may be added to that rate to take care of so-called benefits to SEZ units vis-à-vis DTA units
 - c. It may kindly be noted that the SEZs manufacture high quality products for highly competitive global markets. Their products don't compete with the products manufactured by DTA units but with the products imported from FTA countries at zero/concessional duties or from China. Therefore, such goods manufactured by SEZ units should be allowed to be supplied into DTA at zero/concessional duty as per FTAs to substitute these imported products. It is very disappointing to see that Indian market is served by imported goods from FTA countries/China while the same goods are manufactured in Indian SEZs but they cannot sale in the DTA due to high customs duties.
2. Subcontracting by SEZ units for DTA units should be allowed without any linkage to export. This requires only an amendment in SEZ Rule 43. This is especially required for DTA units in high tech sectors like aerospace, space and defence (such as HAL, BEML, ISRO, DRDO, Ordnance Factories, Brahmos, etc.). This will also lead to import substitution.
3. INR payment for supplies of services to DTA should be allowed.
4. FTWZ (for warehousing services) should be promoted just like GIFT City (for financial services) to bring back Indian warehousing business from Dubai and Singapore. We should not promote their warehousing business. A seminar should be organised by the Commerce Department bringing all stakeholders to bring awareness and to take measures to ensure this.