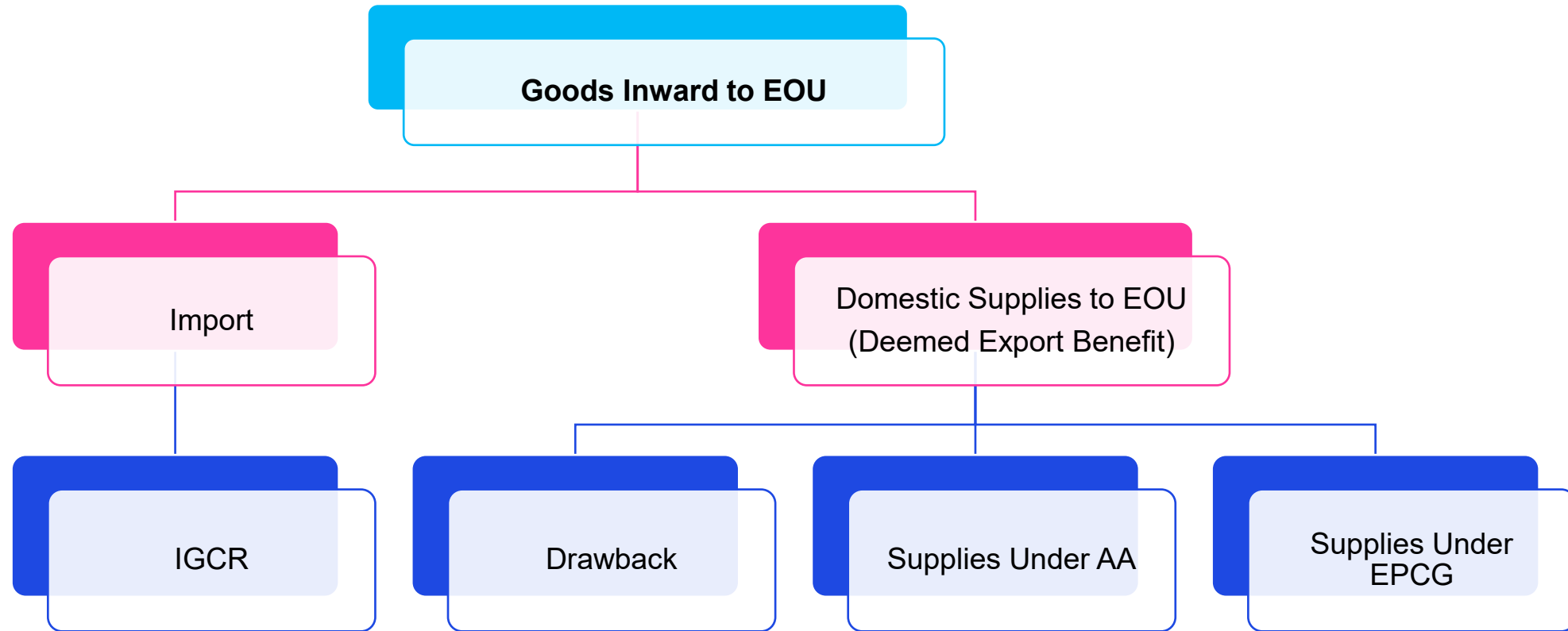


IGCR in EOUs: From procedural compliance to business control

April 2026



Export Oriented Unit (EOU) scheme: Sourcing



IGCR: The Overview

The IGCR regime in India originated with the 1996 rules, granting concessional imports for manufacturing, then replaced by the IGCR Rules, 2017 with modern, self-declaration-based framework & 2022 Rules expanded procedural controls, traceability, accountable IGCR-based import management.

Origin

Scheme

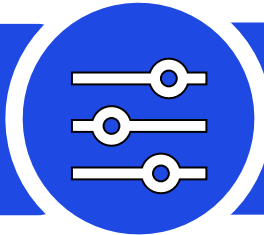
CBIC via Notification No. 74/2022-Customs (NT) dated 09.09.2022, has notified the Customs Import of Goods at a Concessional Rate of Duty for Specified End-Use Rules 2022, hereinafter referred to as the IGCR rules 2022

Purpose



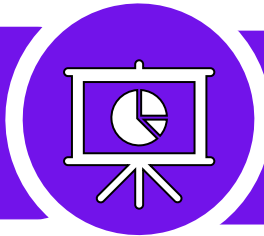
- ❑ Allows importers to bring in goods at a concessional rate of customs duty if used for specified manufacturing or end-use purposes under Customs notifications

Objective



- ❑ **Relaxation** in the Rate of Duty
- ❑ Procedural safeguards to ensure that goods imported at a concessional rate of duty, subject to an end-use condition, are used for the **specified purpose**.

Scope



- ❑ The New Rules broadens the scope to capture the intended purpose of import such as **Specified end use, Supply to end-use recipient, Manufacture, Exports, DTA Clearance, Job-Work & Inter-Unit Transfer**

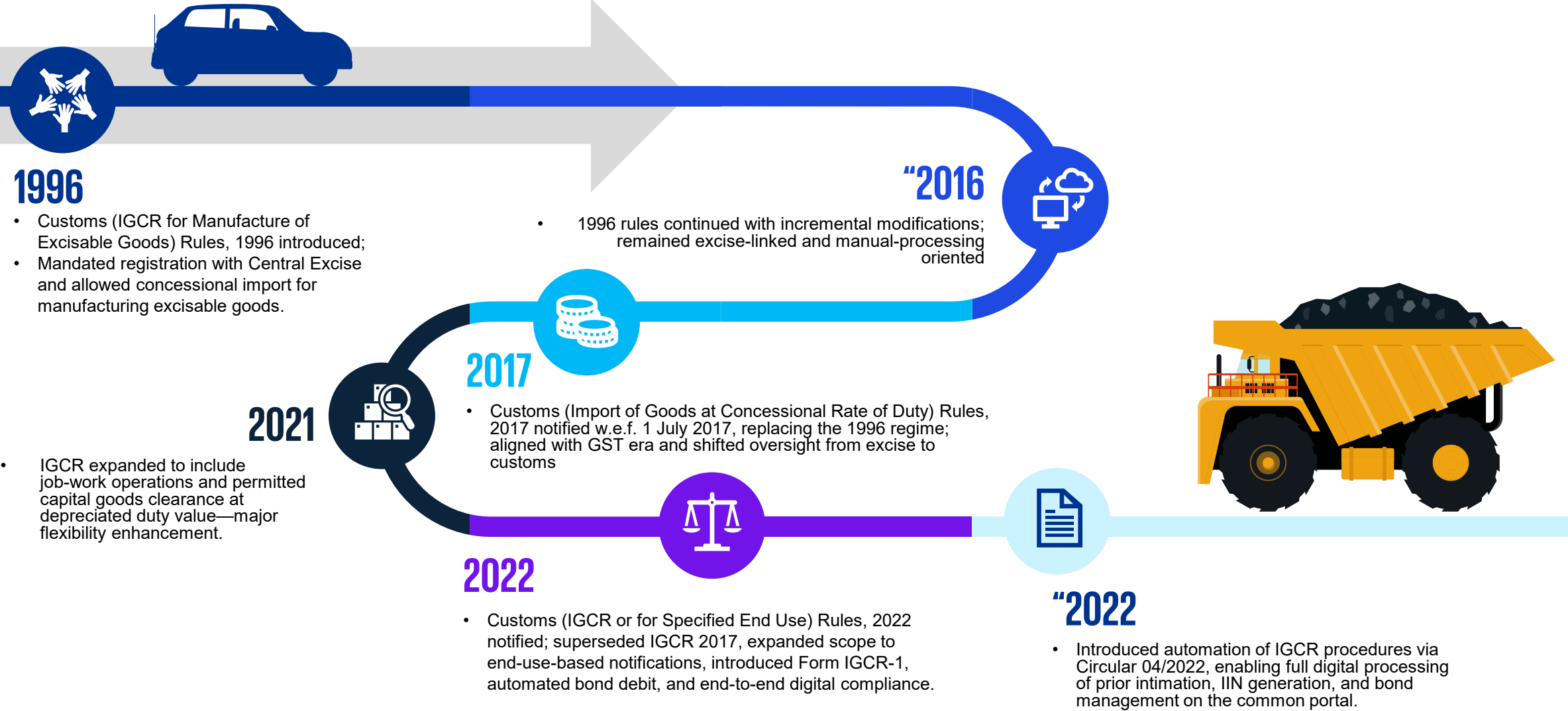
Make in India

Formulated to encourage "**Make in India**" through facilitation of industries accessing raw materials and capital goods at reduced duty levels

Major goals of IGCR

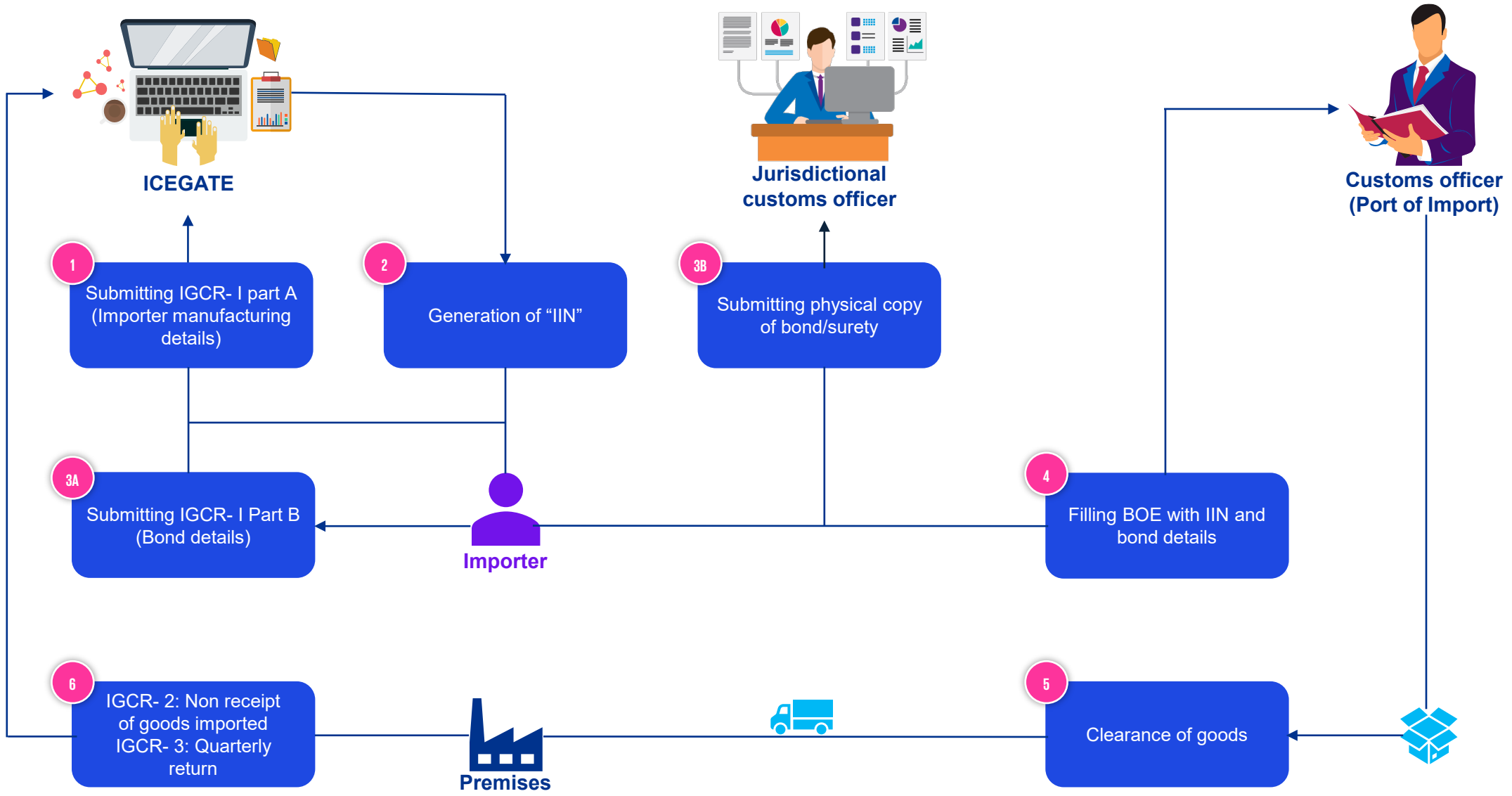
- ❑ **Facilitating Ease of Doing Business:** Streamlining the process of customs duty concession online and through automation
- ❑ **Cost Savings:** Enabling importers to import goods without paying full customs duty at the initial stage
- ❑ **Transparency:** Facilitating end-use verification based on self-declaration and reporting
- ❑ **Digital Processing:** Rollout of the IGCR module in ICEGATE for ease of registration, monitoring, and reporting.

Evolution of IGCR



Registration and Import process- Flow under IGCR

This mechanism ensures complete track-and-trace of goods by recording receipts, usage, and closing inventory without any shortages.



IGCR compliances

Filing of form IGCR 2

- Intimation regarding **non-receipt/short receipt** of goods imported along with information of duty paid
- When-immediately where goods are not/short received in the premises
- Payment of duty on short receipt/non receipt.



Filing of form IGCR- 3/3A

IGCR 3

- ❑ **Mandatory** Quarterly Statement filed by **10th day of following quarter** to report the status and utilisation of goods imported under IGCR concessional duty rules
- ❑ Shall be submitted **sequentially** for all pending quarters before moving to the next filing period
- ❑ Captures details of:
 - ✓ Imported goods and quantities
 - ✓ Goods consumed for intended purpose.
 - ✓ Goods pending with JB/Inter-Unit/Inventory
 - ✓ Goods re-exported or cleared on payment of duty.

Purpose

To provide the customs authority with a complete quarterly account of all IGCR-eligible goods and ensure compliance with concessional duty conditions.

IGCR 3A

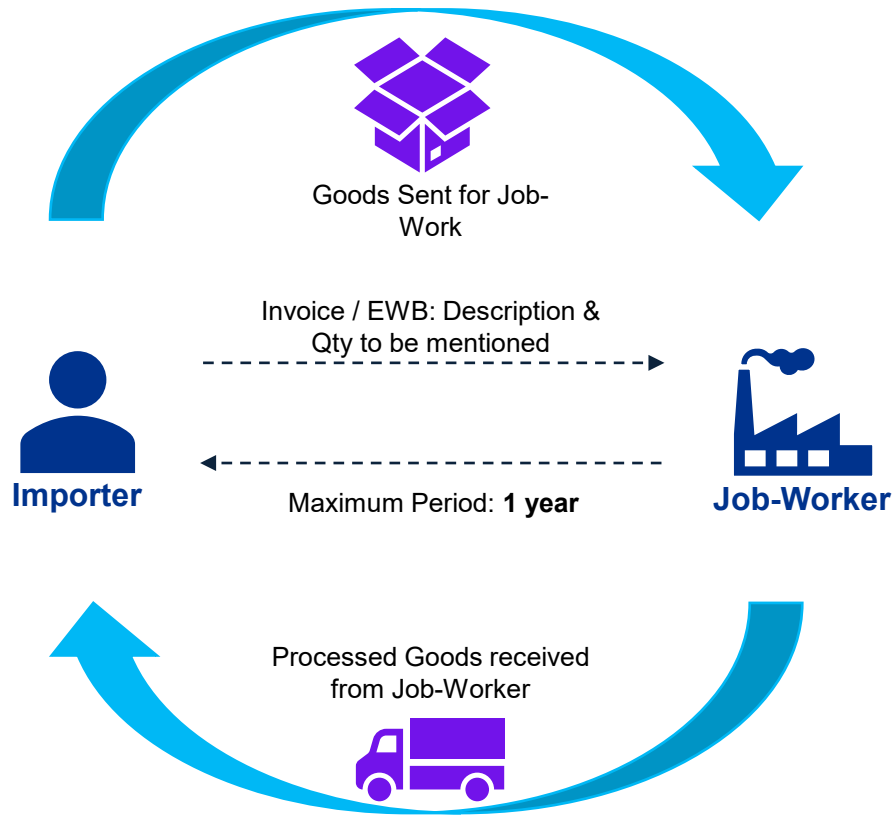
- ❑ **Optional** statement shall be filed **at any point of time** to report the status of imported goods and obtain **immediate recredit** of the bond
- ❑ The statement filed in IGCR 3A shall form part of the IGCR 3 quarterly statement of subsequent quarter
- ❑ Captures details as **similar to IGCR 3A.**

Accounts and records

- Quantity and value of goods imported
- Quantity and date of receipt of the goods imported in the relevant premises
- Quantity of such goods consumed including the quantity used domestically for manufacture, quantity exported, if any, to fulfill the intended purpose and quantity of goods sent to an end use recipient
- Quantity of goods sent for job work and the nature of job work carried out
- Quantity of goods received after job work
- Quantity of goods re-exported, if any, under rule 10; and
- Quantity remaining in stock according to bills of entry.



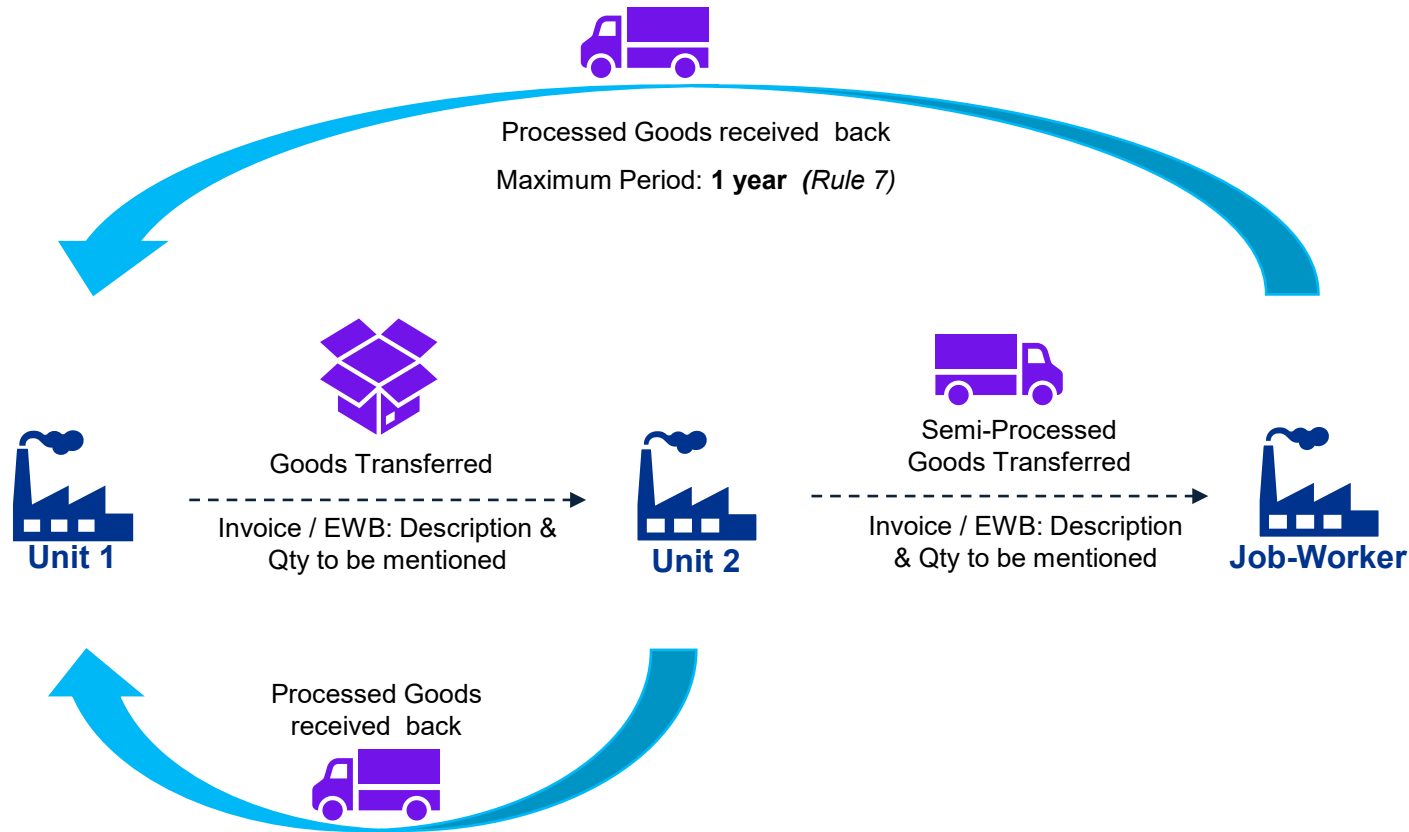
Rule: 7 Procedure for allowing imported goods for job work



Responsibilities of Job-Worker

- ❑ Maintain a record of
 - The receipt of goods,
 - Manufacturing processes and
 - The waste generated.
- ❑ Produce the account details before the Jurisdictional Customs Officer as and when required by the said officer.
- ❑ After completion of the Job Work, send the processed goods either
 - To the importer or
 - To another job worker as directed by the importer for carrying out the remaining processes, under the cover of an Invoice / EWB.

Rule: 8 Procedure for allowing imported goods for unit transfer



Responsibilities of Importer

- ❑ Maintain an account of
 - Receipt of goods,
 - Manufacturing process undertaken thereon and
 - The waste generated, if any, during such process;
- ❑ Produce the account details before the Jurisdictional Customs Officer as and when required by the said officer;
- ❑ After completion of the said process, send the processed goods back either,
 - To the premises of the importer from where the goods were received or
 - To a job worker for carrying out the remaining processes, under the cover of an Invoice / EWB.

IGCR: Where EOUs are practically struggling (1/2)

Transitional inventory

- Transitional inventory often:
 - Lacks bill of entry wise mapping in IGCR
 - Is carried forward as lump-sum quantities based on ERP or physical stock
- **Leads to incorrect opening balance and duty computation. This also impacts the subsequent IGCR compliances.**

Mismatch in recording receipt

- Goods received at factory but:
 - GRN entry missed or partially passed in ERP
 - IGCR receipt entry delayed or missed
- **Results in short-receipts/excess receipts in GRN.**

Consumption vs utilisation – major grey Area

- Material issued to production without batch planning
- No specific approach followed like FIFO, LIFO, etc
- Movement of materials recorded in ERP without import reference
- **Results in improper recording of materials in IGCR and impacts tracking of original imports.**

Capital goods

- Capital Goods imported are sometimes recorded in GRN without CG reference
- Absence of BoE linkage
- **Leads to inadequate tracking of capital goods and incorrect depreciation computation when goods are cleared to DTA upon reversal of exempted duties.**

IGCR: Where EOUs are practically struggling (2/2)



VIN/Serial number mapping

- In VIN-based manufacturing,
 - Imported inputs are issued in bulk to production
 - Finished goods are tracked VIN-wise
- **However, IGCR tracks imports bill-of-entry item-wise, not VIN-wise.**



Job work movements

- Materials are issued to job work without FIFO, LIFO, or batch-based controls
- Materials sent or received back lacks BOE linkage
- **Results in improper recording of job work materials in IGCR and impacts tracking of original imports.**



DTA clearances – Duty paid

- Inadequate tracking of materials consumed in manufacture of FG cleared domestically
- Materials consumed for DTA lacks BOE linkage
- **Proportional reversal of exempted duties becomes disputable when not computed basis BOE.**



ERP ≠ IGCR – The root cause

Reality in most EOUs

- ERP designed for costing, production, inventory
- IGCR requires BOE wise tracking and duty foregone accountability
- **Causes dependency on manual Excel processes, multiple departments, and data breaks due to staff transitions.**

Ownership gap – No single accountability

- ❑ **Stores:** “We only receive and issue goods”
- ❑ **Production:** “We consume as per plan”
- ❑ **Finance:** “We rely on operations”
- ❑ **CHA:** “We only file BoE”.

Customs view: IGCR compliance belongs to the unit, not individuals.

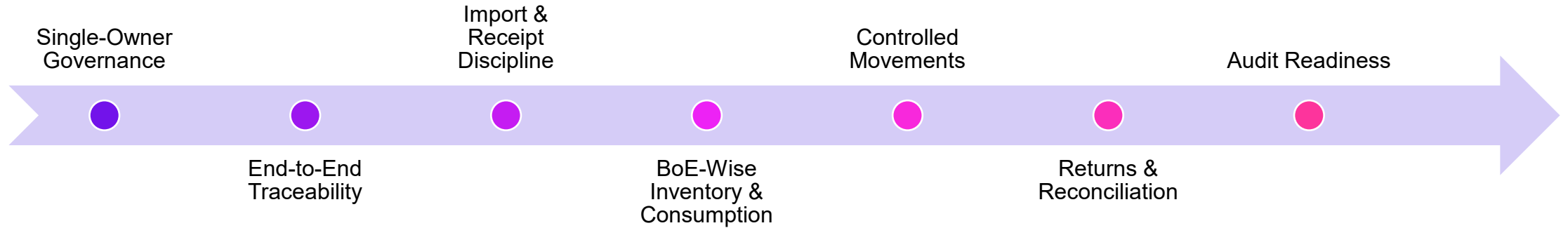
Overall implication to businesses.

- ❖ *Most IGCR concerns do not arise from intent, but from operational disconnect between stores, production, finance, and compliance*
- ❖ *These practical gaps translate directly into audit objections, duty demands and business disruption.*

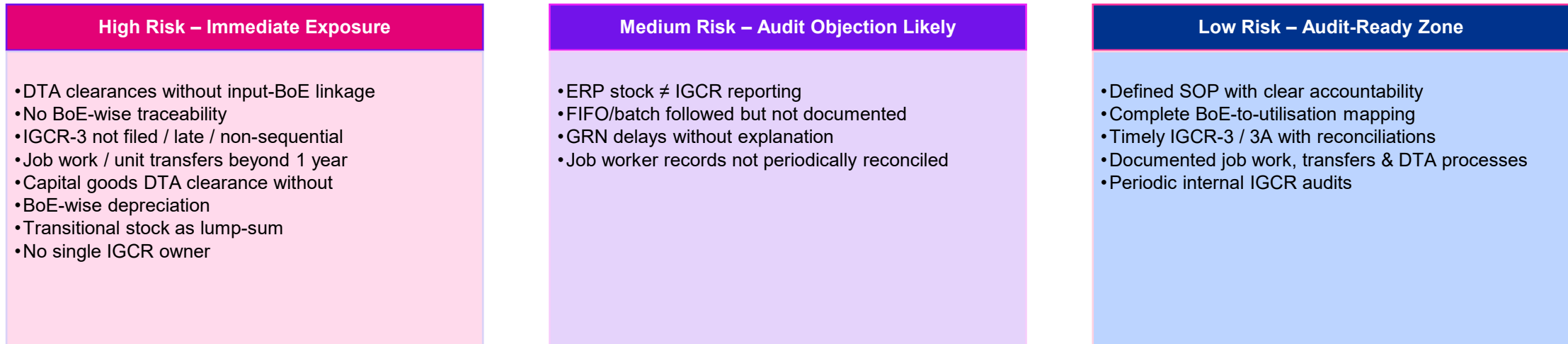
- **Penal Provision – Sec 158 of Customs – upto 2 lacs rupees**

- **Interest under sec 28AA of Customs- 15% PA**

IGCR – Management Control Framework



Risk Heat-Map (Customs Audit Lens)



“IGCR risk is driven less by duty rates and more by data discipline and ownership. If we can explain every concessional import BoE-wise, audit risk stays low.”

Q&A

SEZ to DTA clearance – Concessional duty

Key highlights of SEZ to DTA clearance framework

Who can avail the benefit?

- ❑ Manufacturing units located in Special Economic Zones (SEZs)
- ❑ Units that commenced production on or before 31 March 2025
- ❑ Units fulfilling minimum value addition condition of 20 per cent.



Key compliance requirements

- ❑ Bill of Entry (Home Consumption) shall be:
 - Filed by SEZ unit
 - Filed on the common customs portal
 - Assessed by the proper officer
- ❑ Total DTA clearances under concession limited to 30 per cent of highest FOB exports of any of the last 3 years
- ❑ No drawback or Any other export benefits as admissible under FTP has been availed on inputs used in manufacture of such goods
- ❑ Declaration/undertaking to pay full applicable duty on Non-fulfillment.



Faceless assessment continued

- ❑ Bills of entry routed via Risk Management System (RMS)
- ❑ Assigned automatically to faceless assessment officers
- ❑ Ensures uniformity, transparency and faster processing.



Not applicable to:

- ❑ Free trade and warehousing Zone (FTWZ) units
- ❑ Goods removed as such (without manufacturing) to DTA
- ❑ Agriculture (including marine and processed food products, tobacco, etc.), marble and granite, gems and jewellery, vehicles, toys and petroleum are excluded.



Other points

- ❑ Eligible Goods are covered across various manufacturing products
- ❑ Certificate from development Commissioner to be submitted at the time of removal to DTA.
- ❑ Units availing exemption subject to SEZ audit under Rule 79



Analysis – On receipt of inputs

Annexure to Nt 11/2026 Dt 31/03/2026

Condition 4 – “No benefit of duty drawback or any other export benefit as admissible under the Foreign Trade Policy has been availed in **respect of any of the inputs** used in the manufacture of such goods, **either by the Unit in the SEZ or by the supplier of the inputs**, as the case may be”

Definition of Inputs– as per Notification

“Inputs” means raw materials, intermediates, components, consumables, parts and packing materials;

“Manufacture” means to make, produce, fabricate, assemble, process or bring into existence, by hand or by machine, a new product having a distinctive name, character or use, but shall not include mere refrigeration, packing, re-packing, affixing or printing of marks, labels, logos, or other like distinguishing signs on goods or their packaging, repair or refurbishing;

Open question:

Supplies by EOU manufactured using 100 per cent DTA materials ?

Supplies by EOU manufactured using imports/supplies from AAL holder ?

Supplies by DTA to SEZ against advance authorisation (including invalidation supplied used) ?

Supplies by EPCG holder to SEZ ?

DTA supplies availing duty drawback under SEZ act read with Customs duty drawback rules ?

Glimpse of concessional rates – Table - I

Concessional rates comparison

Present customs duties (including BCD, AIDC, Health Cess)	Concessional rate for eligible SEZ units under the relief window	Applicable sector/goods
Nil, 2.5%, 5%	No change	Medical equipment's, pharma, semiconductors (Classified Under 8541 and 8542)
7.5%	6.5%	Chemical or allied Industries (fertilisers, plastic)
10%	9%	Mineral products, raw wood, base metal
12.5%, 15%	10%	Electrical machinery, furniture, medical instruments
20%	12.5%	Textile, electrical and electronic equipment
Between 20% and 30%	15%	Textiles (silk and woven)
Between 30% and 40%	20%	Footwear, FMCG
Above 40%	No change	Automobile, alcoholic beverages, tobacco

S. No. (Notif. 11/2026)	Customs tariff heading – Short description	Broad type of goods covered	BCD Concession as per 11/2026	BCD Concession as per 45/2025
451	Goods covered under Sl. No. 366 of Notif. 45/2025	General and medical equipment related goods.	5%	7.5%
500	Goods covered under specified Sl. Nos. of Notif. 45/2025 and Sl. No. 19 of Notif. 57/2017	Industrial, engineering and transport equipment and materials	6.5%	7.5%
501	Goods covered under specified Sl. Nos. of Notif. 45/2025, Notif. 57/2017 and Sl. No. 11 of Notif. 12/2022	Industrial, electrical, electronic, automotive and engineering goods	9%	10%
502	Goods covered under specified Sl. Nos. of Notif. 45/2025, Notif. 57/2017 and Sl. No. 10 of Notif. 12/2022	Industrial, electrical, electronic and engineering goods	10%	15%

Notification 11/2026 rationalises and lowers Basic customs duty across the covered goods by providing uniformly reduced concessional rates as compared to Notification 45/2025.

Products with both BCD and AIDC concession – Table II

Goods	Present rate		Concessional rate	
	BCD	AIDC	BCD	AIDC
MINERAL OR CHEMICAL FERTILISERS (Chapter 31)	10%	5%	5%	5%
Ammonium nitrate	10%	5%	5%	4%
PLASTICS AND ARTICLES of Rubber	20%	20%	10%	5%
Footwear	20%	20%	10%	10%
Photovoltaic cells not assembled in modules or made up into panels 8541 42 00	20%	20%	10%	5%
Photovoltaic cells assembled in modules or made up into panels 8541 43 00	20%	20%	10%	10%
Yachts and other vessels for pleasure or sports; rowing boats and canoes (8903)	20%	20%	10%	5%
Electricity meters for AC (90283010)	20%	20%	10%	5%
MANUFACTURED ARTICLES(Furniture; bedding, mattresses)	20%	20%	10%	5%
Solar lanterns or Solar lamps	20%	20%	10%	2.5%

Concerns raised across stakeholders

Limited effectiveness



Concessional duty largely unattractive— Around 80 per cent of DTA sales get no concession and only a small portion benefit marginally

Policy uncertainty



Scheme notified on 31 March 2026, effective 01 April 2026, creating planning challenges; industry seeks longer validity (three years)

Restrictive caps



Current 30 per cent cap on eligible DTA sales is seen as too low; proposal to enhance to 50 per cent for meaningful utilisation

Operational frictions



Requirement of DC certificate for each BOE filed (no online mechanism), no option available for DTA units to file BOE

Concerns raised

Q&A

Thank You