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Government of India
Ministry of Commerce and Industry
Department of Commerce
(SEZ Section)
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Vanijya Bhawan, New Delhi
Dated the 13 July, 2026

OFFICE MEMORANDUM

Subject: Minutes of the third meeting of the inter-departmental committee for SEZ reforms and harmonisation of various export promotion schemes.

The undersigned is directed to forward herewith a copy of Minutes of the third meeting of the inter-departmental committee for SEZ reforms and harmonisation of various export promotion schemes held under the Chairmanship of Shri Ajay Bhadoo, Additional Secretary, Department of Commerce on 30.06.2026 at 11 AM - Stakeholder Consultation

2. This issue with the approval of the competent authority.

Bajpai 13/07/26.

(Prateek Bajpai)
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To

All member of the committee.

Copy to: Sr. PPS to AS(AB)/PS to JS(VA)/PS to Dir (GP)

Draft Minutes of the third meeting of the inter-departmental committee for SEZ reforms and harmonisation of various export promotion schemes held under the Chairmanship of Shri Ajay Bhadoo, Additional Secretary, Department of Commerce on 30.06.2026 at 11 AM - Stakeholder Consultation

A stakeholder consultation meeting was held under the Chairmanship of Shri Ajay Bhadoo, Additional Secretary, Department of Commerce on 30.6.2026 regarding SEZ reforms and harmonisation of various export promotion scheme.

2. The list of participants may be seen at Annexure.

3. Shri Rajesh Aggarwal, Commerce Secretary kindly consented to address the stakeholders and shared his broad perspective about harmonisation of export promotion schemed and SEZ reforms. He stated that the harmonization exercise should be balanced, rational, and supported by clear policy logic. He explained that existing export schemes are intended to neutralize taxes and simplify compliance. He emphasized the need to identify the rationale for each scheme, apply global benchmarking or India-specific justification where necessary, use technology to improve transparency and trust, preserve the core purpose of SEZs as export-led ecosystems, treat services separately from goods, and continue work toward a balanced draft law and package of reforms.

4. Shri Gaurav Pundir, Director (SEZ) and Member-Secretary welcomed all the participants and gave a brief background about the committee and the expectation of the Committee from the stakeholders.

5. Shri Ajay Bhadoo, Additional Secretary and Chairman of the Committee, in his opening remarks, suggested that the Committee would like to hear views of stakeholders about harmonisation of various export promotion schemes and suggestions about the larger reforms in SEZ policy along with justification. He suggested that harmonisation does not mean merging all schemes into one as they may cater to different category of exporters and serving different purposes. However, we may suggest merging schemes if they are broadly similar and serving the same category of exporters. We may also suggest adopting the accepted principles of one scheme into another scheme. He requested Shri Alok Chaturvedi, Director General, Export Promotion Council for EOUs & SEZs (SEZEPC) to moderate the interaction with the stakeholders.

6. DG SEZEPC made a brief presentation for information of stakeholders so that they may not spend time for which representations have already been made before the Committee. A brief background, characteristic features and the current usage of different export promotion schemes (Advance Authorisation, Duty Free Import Authorisation, Export Promotion Capital Goods, EOU, MOOWR, SEZ) was presented. DG SEZEPC also presented key demands of the industry which included SEZ to DTA on duty foregone basis, INR payment for supply of services from SEZ to DTA, reverse job-work by SEZ units for DTA without any export linkage, need for zero duty/preferential duty for SEZ to DTA supply of those goods which are at present being imported from FTA countries/other countries, reforms in Free Trade warehousing Zones and other EoDB measures. DG suggested that the stakeholders should specifically inform about the goods being manufactured by them and any impact on domestic manufacturers, if any, if SEZ to DTA on duty foregone basis is allowed. Thereafter, DG invited comments and suggestions from the stakeholders.

7. Dr Ajay Sahai, DG, FIEO explained the two broad approaches of duty neutralisation on exports – upfront exemption/suspension or remission. Advance License, EOU,SEZ, MOOWR are duty suspension schemes whereas duty drawback, RoTEP/RoSCTL are duty remission schemes. He stated that these schemes are catering

to the requirement of different categories of exporters - micro exporters, small-exporter, medium-exporter, ultra-large-exporters in different sectors such as carpet, handicraft, pharma, automobile, petroleum, engineering, etc. He opined that no single scheme should be thrust on the trade. SEZ, though it's a suspension scheme, it has come because we wanted to have an island of excellence, where we want to provide the world-class infrastructure, attract the global FDI in the export sector, bring the best of technology. Therefore, SEZ scheme should continue as such and should be improved by adopting international best practices. MOOWR should also be continued as it improves manufacturing competitiveness. EOU scheme can be considered to be converted into either locational SEZs or merged into MOOWR provided RoDTEP /RoSCTL benefits available to EOUs are extended to MOOWR scheme too. DFIA scheme can be phased out as it has lost its utility. EPCG meant for duty free import of capital goods for promoting exports needs to be continued for DTA exporters till import duties on capital goods are reduced. RoDTEP and RoSCTL can be merged into one scheme. As regards SEZ to DTA on duty foregone basis or reverse job work without any linkage to exports, some cap may be introduced as the export orientation of SEZs should be maintained. We may also permit SEZ units to supply those goods to DTA on zero duty which are being imported under FTA or otherwise to a large extent say 75% or more of total imports of that product. He also opined that there is no justification for payment in foreign currency for supply of services to DTA.

8. Shri Hitendra Mehta from ASSOCHAM stated that SEZ reform should be undertaken urgently and in a progressive manner. He grouped the issues into amendments to the SEZ Act, matters to be addressed through rules, and compliance-related issues. He stressed that SEZs should be integrated with the domestic economy through duty-forgone sales to DTA, as such sales is revenue-neutral and would help utilize vacant capacity and developed land. He further suggested amendments to Section 30 and the definition of services, use of Rule 47 for subcontracting, and greater policy flexibility within the existing SEZ Act. He also proposed distinguishing between manufacturing and service SEZs, harmonizing SEZ policy with industrial corridor and PLI schemes, and preserving the broader objective of making India a preferred investment destination. He pointed out that DTA units can import goods duty-free under FTAs, and therefore SEZ units should also be allowed a level playing field for domestic sales of such goods. He said that only limited tweaking within the existing Act is required, rather than creating a completely new framework.

9. Shri Rajiv Dimri from FICCI welcomed the approach adopted in the discussion and made two key suggestions. First, he stated that the legal framework should remain flexible and capable of adapting to the impact of upcoming free trade agreements, rather than being rigidly fixed on current assumptions. Second, he emphasized that compliance burden should be reduced, noting that excessive documentation can deter investors from choosing India. He added that government IT systems are now sufficiently advanced to support a more natural, technology-driven compliance process, and should be leveraged to ease the burden on entrepreneurs.

10. Shri Sabyasachi Ray, ED, GJEPC SEZ units in the jewellery sector are export-oriented, rely mainly on imported inputs, and should be given greater operational flexibility without disturbing DTA units. He supported duty-forgone access, INR-based payments, more flexible raw material sourcing, permission for lower carate jewellery exports, allowance for advance payment of gold, and clearly defined job work provisions. He added that SEZ jewellery manufacturing serves a distinct export niche and would complement, rather than compete with, DTA manufacturing.

11. Shri PC Nambiar, Serum Institute stated that SEZ is a time-tested and highly beneficial scheme, particularly for vaccine manufacturing, and argued that duty-forgone access is essential to keep production affordable and support national immunization efforts. He said SEZ units are export-oriented but also have limited DTA sales, which should be treated on a similar footing as export-committed DTA units, and suggested replacing the multiplicity of export incentive schemes with a simpler duty-entitlement mechanism linked to export earnings or committed exports. He further observed that SEZ units no longer receive income tax benefits, use duty-free capital goods and inputs only for export production, and may appropriately recover the corresponding duty in DTA sales.

12. Shri Srikanth Badiga, Phoenix presented the developer's perspective on SEZ reforms and stated that SEZ developers have created infrastructure far beyond minimum compliance, particularly in the services segment, but their role is still not adequately recognized as infrastructure. He urged that the non-processing area be treated more liberally, that IT SEZs be viewed in the context of real estate and infrastructure, and that vacant SEZ land be considered for wider industrial park development. He said that he is on the Board of Director of the World Free Zones Organisation and he had recently participated in their international conference. India is being watched by global investors for SEZ related reforms for more domestic integration. He also requested that developer-specific issues be included in ease-of-doing-business reforms, advocated greater liberalization, and raised concern that MOOWR may create policy overlap and competition with registered units.

13. Shri C Saravanan, COO, Brandix Apparel India SEZ stated that apparel and textile SEZs should be permitted duty-forgone access to the domestic market, as international brands increasingly require both export and domestic market supply from a single ecosystem. He explained that restricting such access would not benefit domestic manufacturers, but would instead divert business to neighbouring countries and cause loss of employment in India. He therefore emphasized that domestic market access is essential for making SEZs viable and employment-generating in the apparel and textile sector.

14. Shri Murali Sivaperumal (Director), ZF Wind Power informed that they make gearbox for wind-turbines. The fear that access to domestic market on duty foregone basis will harm DTA manufacturers is without any basis. More than 50% of wind turbine products are imported into India. It is not that we are competing against DTA; on the contrary, we are competing against China. Furthermore, in the industry like ours, it is important to have energy security and resilience as recently China stopped export of carbon planks used in the wind turbine blades. Earlier there was a unit in India which closed down because of dumping by China and once it closed, China suddenly stopped exports. Therefore, SEZ to DTA supplies should not only be allowed on duty forgone basis, but it should be duty free if the goods are being imported from China or FTA countries. This will help in import substitution too.

15. Shri C R Subramanium, Director/GM Salcomp India stated that they have three SEZ and three MOOWR units. He stated that MOOWR offers flexibility to serve export market as well as domestic market. While no duty is to be paid on inputs in case of exports, duty on inputs only is to be paid while serving DTA market. This is all the more important for the electronics component industry. Similar benefit of flexibility should be given to SEZ units rather than making SEZ units pay full customs duty on finished goods in case of serving domestic market.

16. Shri Sunil Taneja, Cheyyar SEZ stated that they have a SEZ units in Tamil Nadu which exports sports footwear. They have 30,000 people working in their campus. He welcomed, in principle, the current measure announced by the Government to permit SEZ units to supply to DTA on concessional customs duty. But the measure is half-baked as the duty concession is very low. Their unit compete with the low duty imports from countries such as Vietnam and Indonesia. He suggested that SEZ to DTA sale should be allowed on duty foregone basis as is available in case of MOOWR and EOU schemes.

17. Ms. Pauravi Shah from Mahansaria Tyres SEZ stated that they manufacture off-highway tyres (OHT) in SEZ in Panoli, Gujarat with a phased capacity expansion from 40,000 MT to 100,000 MT. These tyres are special niche category tyres for industrial, agriculture, mining use. Exports have grown by 3.4 times in the last five years to Rs 1160 cr with NFE of Rs 390 cr. India imports approximately Rs 1000 cr of these tyres annually. There is a need for allowing SEZ to DTA on duty foregone basis for import substitution and better capacity utilisation which will also help in achieving economy of scale in meeting export demand in a competitive manner. She also requested that import restrictions should not be allowed in case of supply of goods manufactured in SEZ as this manufacturing and value addition has been done in India only. This will also help in import substitution. She also supported that SEZ unit should also be allowed to do sub-contracting for DTA units without any linkage to exports.

18. Shri Manish K Madhukar from Micron Semiconductor Tech SEZ stated that Micron is engaged in semiconductor back-end manufacturing operations in India. Considering the specialized nature of semiconductor manufacturing, high capital investment, import-dependence, long project execution cycle, and global supply chain integration, certain clarifications and procedural relaxations are required to ensure smooth implementation of the MOOWR and SEZ framework. He requested that movement of goods between MOOWR units and SEZ units for further manufacturing, reverse job work, repair, processing, testing, or completion of manufacturing operations should be permitted without payment of customs duty. Customs duty, if any, should arise only at the point of clearance into the Domestic Tariff Area, and not at the stage of inter-scheme movement. Further, SEZ units operating under a toll manufacturing / consignment manufacturing model, NFE should be calculated based on actual imports made on payment basis and actual foreign exchange received against service invoices. Free-of-cost import of customer-owned / parent-owned materials should not be treated as foreign exchange outflow of the SEZ unit. Free-of-cost export of finished goods owned by the overseas parent / customer should not be treated as export realization of the SEZ unit. He also stated that Micron operates under a toll manufacturing model. Under this model, wafers and dies are received from the overseas parent entity on a consignment / free-of-cost basis. Ownership of the wafers, dies, work-in-process, and finished goods remains with the overseas parent entity. Micron India does not purchase or sell such goods. Instead, Micron India provides manufacturing services and receives foreign remittance against service invoices raised on a cost-plus basis. Therefore, the second proviso to Section 13(3)(a) of the IGST Act, 2017 should be amended so that the place of supply of toll manufacturing services rendered to a foreign principal continues to remain outside India, irrespective of whether the finished goods are physically exported or delivered domestically. He also requested that SEZ developers may be permitted to import or domestically procure any goods, materials, equipment, tools, consumables, spares, construction materials, and project-related items required for authorized operations, without the need for item-wise prior approval of each material. Approval may instead be granted based on broad categories aligned with authorized operations, such

as construction materials, project materials, plant and machinery, electrical systems, HVAC, cleanroom materials, utilities, safety systems, security systems, IT infrastructure, consumables, and maintenance materials. This will support faster project execution, ease of doing business, and timely development of capital-intensive SEZ infrastructure.

19. Shri Niraj Jain, CG Semi Private Limited SEZ informed the committee that the company has two units, namely a pilot line under the MOOWR scheme and a main plant under SEZ. He stated that under MOOWR, depreciation benefits should be given, zero-rating of domestic procurement should be allowed, clarity should be given regarding import of indirect materials, consumables and chemicals and endorsement /mentioning of inputs and consumables in export shipping bills. Similarly, in the SEZs, toll manufacturing/job work should be allowed for domestic customer under SEZ Rule 18(6), time-period of achieving positive NFE for Semi-conductor industry should be extended from 5 years to 10 years, NFE for domestic sales from SEZ should be relaxed and SEZ to DTA sale should be on duty foregone basis. He also requested that toll manufacturing/contract manufacturing services provided by an Indian OSAT unit to a foreign principal, where goods are supplied on FOC basis and ownership remains with the foreign entity, should be treated as export of services, irrespective of whether the processed goods are ultimately sold within India or outside India.

20. Shri Yamanappa Patrut from L&T MBDA Missile Systems, a JV between L&T and MBDA, operating in SEZ Coimbatore, informed that the unit has already manufactured and exported missile rear sections and air-to-air launchers for the Rafale aircraft. He stated that the Indian Air Force has requested the company to undertake MRO activities, but the prevailing SEZ conditions make such domestic service rendering difficult as foreign exchange realization is required. He emphasized the strategic importance of using Indian capability for such MRO work, noting that foreign OEMs take more than a year whereas the Indian unit can complete the work in a little over eight days, and requested permission to undertake these services from SEZ and payment in INR should be allowed in the interest of national security and operational readiness.

21. Shri Nishith Kumar from Suzlon Energy (SE Forge SEZ Unit) stated that as customs duty is charged on the total value in case of supplies of components from SEZ to DTA, the cost of setting the wind power unit increases which in turn raises the effective per-unit electricity cost. He requested that the committee consider allowing for SEZ-to-DTA supply on duty forgone basis. He further referred to the recently announced concessional duty framework and mentioned that the rate for the goods manufactured at their SEZ unit has been rationalized from 7.5% to 6.5% and availing this 1% benefit is not economically viable due to the high cost involved. He therefore requested that further rationalization be considered as per actuals.

22. Shri Anil Malhotra, TUF Metallurgical Pvt. Ltd informed the committee that their Vizag SEZ unit manufactures ferroalloys and that the export-duty matter (no export duty on DTA to SEZ supplies), though decided in their favour by the court, still requires a corresponding policy amendment. He stated that Indian SEZ units should be given more flexibility, similar to free zones such as Jebel Ali and Sohar, where multiple activities are permitted under a common framework. He further highlighted difficulties in converting adjoining land from SEZ to DTA, which is affecting expansion plans, and also expressed concern that FTAs, particularly with Oman, may create an uneven duty environment for domestic manufacturers, since the same product sold from Indian SEZ in DTA attracts 5% duty while competing imports may enter duty-free.

23. Shri Amogh Patankar from K Raheja Group requested that DTA sale of services be permitted in Indian rupees, stating that the earlier concern regarding revenue loss

(CVD component as there is no customs duty on services) has been addressed after the introduction of GST/IGST and that such sales would not adversely impact DTA service providers. He further requested that small vacant pockets in older SEZs be permitted to be used as non-processing areas for industrial units such as domestic data centres without requiring denotification, noting that denotification is a slow and cumbersome process involving multiple authorities. He also sought flexibility in SEZ land-use norms to allow a small hotel within the SEZ to support visiting professionals, and stated that the first two proposals would require amendments to the SEZ Act, while the hotel-related proposal would require changes in the SEZ Rules.

24. Shri Swapnil Yadav from NASSCOM thanked the committee for taking a distinct approach to the services sector and stated that most of the issues raised by the industry had already been covered. He specifically supported the proposal relating to INR payment for supply of services from SEZ to DTA and for job work for DTA without any linkage to export and expressed strong support for the reform measures under discussion. He also informed the committee that some ease-of-doing-business issues remain unresolved and stated that a detailed note had already been submitted to the Ministry of Commerce in August last year, which would be shared again with the committee.

25. Shri Naman Patel, Gujarat Credo Alumina Chemicals Ltd. informed the committee that the unit manufactures inorganic chemicals, primarily aluminium hydroxide and synthetic zeolites, the latter being manufactured by only one company in India. He submitted that unit is significantly under-utilized because it cannot sell freely in the DTA and that permitting duty-forgone DTA sales would not harm domestic producers since there is no local competition. He noted that the unit competes globally, particularly against suppliers from South Korea, Thailand, and China, and that it is commercially inequitable for Indian customers to buy from foreign FTA suppliers while being unable to source from the SEZ unit. He further stated that it is a paradox that they are unable to supply to the Indian operations or entities of the same group companies who are their customers abroad. He further emphasized that export-led manufacturing requires access to both domestic and export markets in order to build quality, scale, and long-term competitiveness.

26. Shri Paresh Rathod, Kalika International & SURSEZ Association informed the committee that, unlike DTA exporters, SEZ units are required to bear the salary cost of customs staff even though customs clearance is a government function. He questioned the rationale for placing this burden on private SEZ units and stated that such disparity adversely affects their international competitiveness.

27. Shri Ganesh Sanganeria, VP, ITC Ltd. from ASSOCHAM stated that SEZ policy presently lacks a clear negative list and requested clarity on products discouraged by the government or covered under international commitments such as FCTC. He submitted that SEZ relaxations should not be extended to products prohibited in India or otherwise not intended for concessional benefits, particularly in cases involving high tax arbitrage. Citing liquor and tobacco as examples, he cautioned that permitting such activities in SEZs or FTAs may be used to circumvent policy and aggravate the existing illicit-market problem in India.

28. Representative from FICCI stated that the duty forgone requirement for SEZ remains relevant in the present environment. He requested harmonization of the two schemes and submitted that MOOWR players should be extended comparable benefits. He highlighted that depreciation benefit is available under SEZ for clearing capital goods but not under MOOWR, and further requested that the duty forgone benefit under

MOOWR, presently restricted to owned capital assets, be extended to leased capital assets also, similar to the SEZ framework.

29. Shri Rahul Kalburgi from Aequs SEZ stated that the SEZ scheme has significantly benefited the aerospace manufacturing cluster. He requested a relook at certain legacy SEZ provisions, particularly restrictions on DTA job work, stating that these restrictions are preventing the unit from servicing defence and other customers in India and are resulting in work being shifted abroad and re-imported. He further highlighted an anomaly in DTA sale duty treatment, citing the toys sector as an example where SEZ units face full customs duty while EOUs pay only duty foregone, and requested a level playing field. He also suggested policy changes to permit conversion of EOUs into SEZs, ease procurement from small suppliers, and align the SEZ job-work return timeline with the EOU timeline.

30. Shri Manohar from Meghmani Industries Limited highlighted difficulties in exiting SEZ and requested that debonding be permitted by allowing capital goods to be removed at depreciated value. He stated that this is particularly necessary as the unit's products face anti-dumping duty issues from China and the existing one-time debonding framework imposes duty on movement of capital goods. He further submitted that the unit is unable to fully utilize its capacity because DTA sales on duty-forgo ne terms are not permitted. He also requested better digital data integration and monthly reporting through a common utility, permission for return of SEZ-supplied goods in case of quality issues, and removal of the duty anomaly in FTA-linked trade, where import-based units can procure backward-integrated products duty-free while SEZ units must supply the same product at 7.5% duty.

31. Shri Manjur Ahmad from Aco Perfumes & Cosmetics LLP, Surat Special Economic Zone, informed the committee that the unit is facing difficulty in claiming IGST refunds, whereas refund claims were easier under the earlier service tax regime. He stated that although there are judgments of the Madras and Gujarat High Courts, clear operational guidelines are still required for claiming refund on DTA services used in SEZ units. He further highlighted system glitches in the customs department and requested seamless electronic integration among customs port systems, the gateway system, ICEGATE, and shipping line systems.

32. DG SEZEPC noted that due to shortage of time, some participants did not get time to present their views. He requested that they may send their views and suggestions through email at dg@sezepc.in or gaurav.pundir@gov.in so that the same may be considered by the Committee. He also advised participants who have spoken may also submit in writing for better clarity.

33. Shri Ajay Bhadoo, AS(SEZ) and chairman of the committee requested the Committee members to give their comments /suggestions, if any.

34. Shri Ranjan Khanna, Additional Pr DGEP observed that the meeting represented an important first step in a structured dialogue on the harmonization of SEZ schemes and related processes. He noted that while harmonization is necessary, it should not imply the indiscriminate merging of all schemes, since different sectors operate with distinct production systems, supply chains, and compliance needs. He emphasized that any reform must be guided by global best practices, sector-specific consultation, and robust data-based reasoning, and that the committee should prioritize practical and achievable measures in a balanced manner. He further highlighted that trust and technology will be central to the success of any liberalized framework, and referred to the need for greater use of digital systems to improve transparency and confidence. He

identified section 2(z) and section 30 of the SEZ Act as the two major issues requiring careful examination. He also stated that any proposal should be assessed on the basis of competitive neutrality, complementarity with the DTA, revenue neutrality, and avoidance of regulatory arbitrage.

35. Ms. Shilpa, from Niti Aayog stated that the stakeholder discussion was useful as it brought out both the positive and negative aspects of the existing framework. She observed that harmonization involves a delicate balancing exercise, since what benefits one set of sectors may raise concerns for another. She emphasized the need to build an efficient system that enables industry to strengthen capacities and reduces underutilization of resources. She further noted that while sale to DTA on a duty-forgone basis is an important issue, SEZ performance should be assessed through a broader and alternative framework, including parameters such as NFE. She also highlighted the need for a clear, well-defined and seamless exit policy, with proper demarcation for transition from one mechanism to another.

36. Shri Vimal Anand, Joint Secretary stated that the harmonization exercise is being pursued to address long-standing reform issues and to reduce scheme shopping between SEZ, EOU, and other schemes, noting that EOU already provides access to the DTA market on a duty-forgone basis. He explained that the government is considering concerns raised by DTA stakeholders and other ministries regarding the perceived advantages of SEZ units, including income tax, state-level, GST, capital goods duty, land, and financing benefits. He further stated that these concerns led to the March 31 notification providing concessional duty instead of pure duty forgone, in order to preserve a level playing field between SEZ and DTA units. He requested written submissions from industry bodies such as CII, FICCI, and ASSOCHAM so that the DTA perspective can be incorporated in the report.

37. Shri Ajay Bhadoo, Additional Secretary and Chairman of the Committee thanked the participants for their active participation and informed that any participant who had not yet submitted their views or had not got an opportunity to speak may send a detailed representation for consolidation and onward submission to the committee. He assured the participants that the Committee will examine in detail the observations made by the participants as well as the written representations and submit its report shortly.

The meeting ended with a vote of thanks to the Chair.

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