

# SEZ to DTA – Concessional Duty Framework

April 2026



# Background and Legislative History

## Global uncertainties

01

- Reciprocal US Tariffs, Geo-political crises in West Asia and Europe
- Trade remedy measures, regional conflicts
- Maritime shipping disruptions

Significantly impacting supply chains and Indian Exporters

## SEZ Framework

02

- To promote exports from India
- Mandate to maintain positive NFE
- Ring fenced from DTA market – Level playing field
- Impact of global uncertainties - Erosion of price competitiveness due to US tariffs, cancellation of export orders and contracts

## DTA sale by SEZ

03

- Tax on finished goods cleared including value addition in SEZ – Not on duty-foregone basis
- Capacity utilization, vacant space usage, efficiency concerns, equalization levy – Discussions in DESH Bill, 2022

## Reforms

04

- Budget 2026 – One time relief measure to facilitate DTA sale by SEZs at concessional rates
- Subject to prescribed proportion of exports
- Ensuring level playing field for DTA units

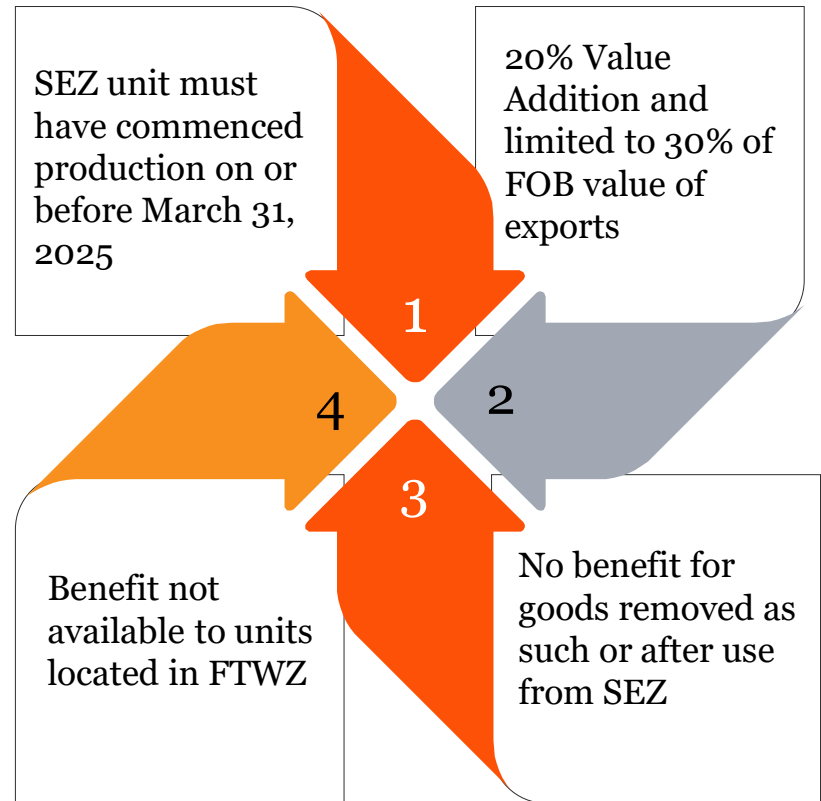
## Budget 2026 – Finance Minister Speech

- *“To address the concerns arising about utilization of capacities by manufacturing units in the Special Economic Zones due to global trade disruptions, I propose, as a special one-time measure, to facilitate sales by eligible manufacturing units in SEZs to the Domestic Tariff Area (DTA) at concessional rates of duty. The quantity of such sales will be limited to a prescribed proportion of their exports. Necessary regulatory changes will be undertaken to operationalise these measures while ensuring level-playing field for the units working in the DTA”.*

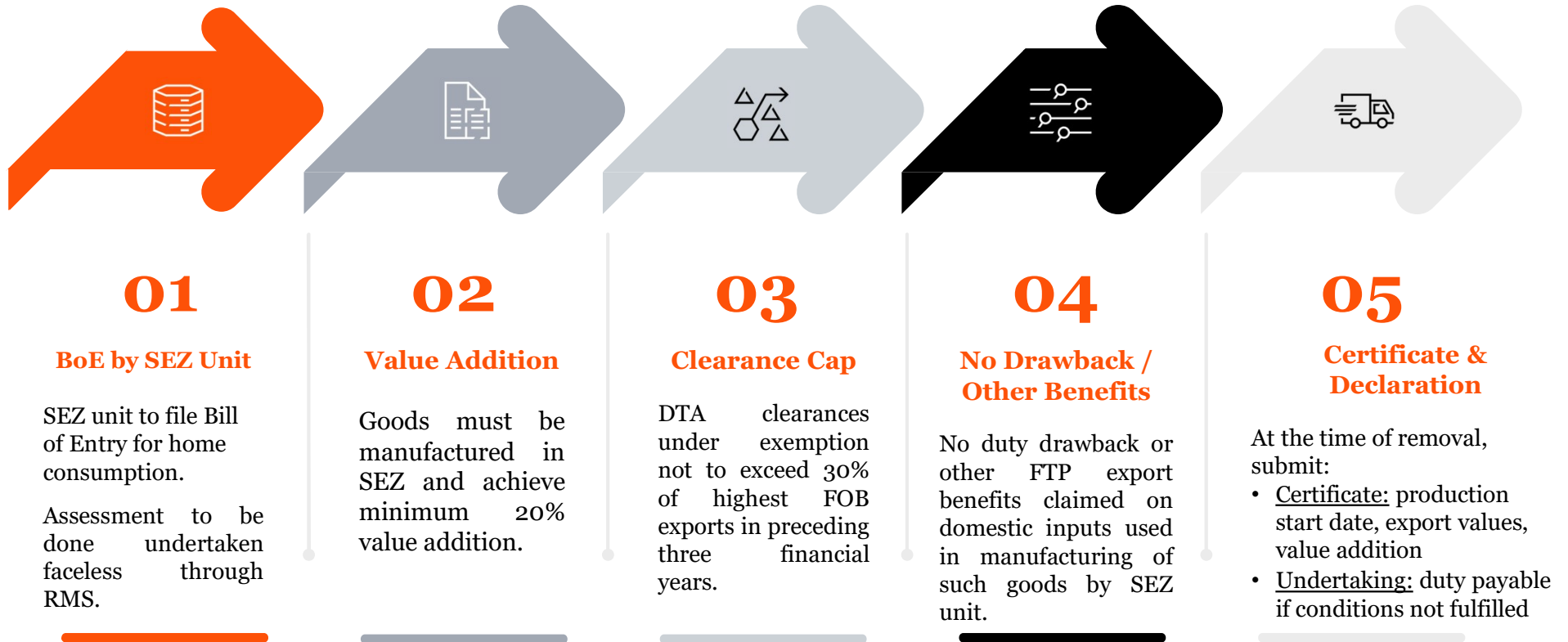
# Notification No. 11/2026-Customs – Relief window for clearance of manufactured goods from SEZ to DTA at concessional rates



- Concessional BCD & AIDC on specified goods manufactured in SEZ and cleared to DTA.
- Applicable for the period from April 01, 2026 to March 31, 2027.
- Concessional BCD from 1% to 15%, with majority entries in the 6.5%–12.5% range, and corresponding AIDC concessions for select tariff items.
- “Manufacture” does not include activities such as packing, labelling, refrigeration or repair, where no new product emerges.



# Conditions for Concessional Duty



# Other Pointers

## Audit Requirement

Units availing concessional duty benefit shall be subject to audit under Rule 79 of SEZ Rules, 2006.



## BoE Filing & Assessment

BOE for home consumption to be filed by SEZ unit on common portal and assessed under faceless assessment through RMS.



## Role of Proper Officer

Jurisdictional SEZ officer to handle examination (where required), out-of-charge, and post-assessment formalities.



## Grievance Redressal

Trade grievances relating to assessment delays to be addressed through ICEGATE Helpdesk / Turant Suvidha Kendras.



## Existing SEZ Compliance

Existing compliance requirements under SEZ Act, 2005 and SEZ Rules, 2006 continue to apply.



**Other  
Points**

# Sectoral Impact ( high level)



Sector	Tariff rate	Concessional Rate	Concession	AIDC	H(1)
Chemicals and chemical products	7.5%	6.5%	1%	-	
Plastics and Rubber	7.5%-15%	6.5%-12.5%	1% to 5%	Upto 5%	
Textiles and Textile Articles	10%-15%	9%-12.5%	1% to 2.5%	-	
Base metals and articles thereof	7.5%-15%	6.5%-12.5%	1% to 5%	-	
Footwear and parts thereof	Upto 20%	10% - 12.5%	Upto 7.5%	Upto 10%	
Machinery and electrical equipments	7.5%-20%	6.5%-12.5%	1% to 7.5%	5-10%	
Vehicles, automotive articles thereof	10%-15%	9% to 12.5%	1% to 5%	-	
Wind energy components	Upto 7.5%	6.5%	Upto 1%	-	

## Slide 6

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**H(1** include auto, include non leather footwear, the foot wear seems incorrect, also include one column for AIDC  
Hari M (IN), 2026-04-17T04:34:27.438

**PW1 0** Wind energy components  
Venkadathri R, 2026-04-17T04:52:30.495

## Business Scenario – 1 - New responsibility for SEZ unit

Manufactured Product	Automotive Parts
HSN	8708
Tariff Rate	15%
Concessional Rate	10%

Inputs	Illustrative Value	Ratio
<b>Imported items</b>	<b>120</b>	<b>60%</b>
<b>DTA Procured</b>	<b>80</b>	<b>40%</b>
<b>Total</b>	<b>200</b>	

Particulars	Amount (INR)
Selling Price per unit to DTA customers (including value addition and margin of SEZ Unit)- (A)	300
Imported Inputs - (B)	120
DTA procured inputs - (C)	80
Total Procurement cost of inputs (B+C)	<b>200</b>
Value Addition - $[A - (B+C)/(B+C)]$	50%
BCD on DTA clearance at tariff rates (A x 15%)	45
BCD on DTA clearance at concessional rate under the Notification - (A x 10%)	30
Reduction in duty payable (ultimate price to DTA customer)	<b>15</b>

- Additional responsibility on SEZ unit for classification, valuation, compliance with the conditions of the notification etc.
- Relevance of INCOTERMS? DAP, DDP, Ex-works?
- Value addition of 20% not equal to gross margin or gross profit. Value of Finished Goods  $\geq$  120% of value of inputs, Cost of inputs  $\leq$  83.33% of sale price of finished goods

H(1)

## Slide 7

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**H(1)** include this box on responsibility of SEZ unit.  
Hari M (IN), 2026-04-17T04:36:17.720

## Business Scenario – 2 – Calculation of 30% limit

Manufactured Product	Instruments & Apparatus
Traded Product	Automotive components
HSN	9032
Tariff Rate	7.5%
Concessional Rate	6.5%

FOB value of exports	Amount in INR
<b>Manufactured Goods</b>	
F.Y 2023-24	600
F.Y 2024-25	750
F.Y 2025-26	450
	<b>1800</b>
<b>Traded Goods</b>	
F.Y 2024-25	1500
F.Y 2025-26	700
	<b>2200</b>
Highest FOB value of export of <b>manufactured goods</b> in preceding 3 Financial Years	<b>750</b>
DTA Sale Entitlement = 30% thereon	225

### Key Pointers

- Exclusion for traded goods from value addition computation, definition of “manufacture”, bifurcation of records?
- FOB value of exports as per what? APR? GST Annual Return? Audited Financial Statements?
- 3 immediately preceding financial years? F.Y 2025-26 to be included? APR not yet filed? CA Certificate based on unaudited financials?
- Subsequent revision in CERT ledger for amendments after filing of APR? Rigidity?
- Sales-return by DTA customers (for example due to defects) – Impact on entitlement? Recredit in CERT Ledger? Backend amendment? Fresh certificate from DC?
- Continuous monitoring of 30% entitlement? Customer PO structuring (depending on remaining entitlement)?
- ERP restructuring? Dual-Rate mapping in ERP systems for same HSN?
- Requirement of product-wise BoM breakup, alignment of internal ERP systems?
- Continuous tracking of VA for every BoE and clearance? Close continuous tracking for VA of goods on the border margins of 20%?

# Business Scenario – 3 – Apportionment of common consumables

H(1)

Manufactured Product	Automotive Parts
HSN	8708
Tariff Rate	15%
Concessional Rate	10%

Inputs	Illustrative Value	Ratio
<b>DTA procured</b>		
- Item A	180	56%
- Item B	115	36%
-Consumables & Packing materials	25	8%
	<b>320</b>	<b>80%</b>
<b>Import</b>		
- Item E	50	13%
- Item F	30	7%
	<b>80</b>	<b>20%</b>
<b>Total</b>	<b>400</b>	

Particulars	Amount (INR)
Selling Price per unit to DTA customers (including value addition and margin of SEZ Unit)- (A)	500
Imported Inputs - (B)	320
DTA procured inputs - (C)	80
Total Procurement cost of inputs (B+C)	<b>400</b>
Value Addition - $[A - (B+C)/(B+C)]$	25%
BCD on DTA clearance at tariff rates (A x 15%)	75
BCD on DTA clearance at concessional rate under the Notification - (A x 10%)	50
Reduction in duty payable (ultimate price to DTA customer)	<b>25</b>

- Requirement to include material overheads? Relevance of apportioned value for consumables and packing materials? Mandate of HSN wise breakup?
- Impact of price fluctuations on imported and DTA procured inputs? Impact of differential selling prices to different DTA customers on VA? Impact of discounts provided to DTA customers on value addition? Initial VA computation based on which period data?
- Value of imports for VA computation? Inclusion for insurance and freight? Actual vs Deemed? Value of freight and insurance for DTA procurements, to be included?

## Slide 9

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H(1

very complex lets discuss

Hari M (IN), 2026-04-17T04:37:44.720

## Business Scenario – 4 – Deemed exports, supply to SEZs & EOUs

Manufactured Product	Electronics
HSN	8517
Tariff Rate	15%
Concessional Rate	12.5%

FOB value of exports	Amount in INR
<b>Manufactured Goods (Physical exports from SEZ Unit)</b>	
F.Y 2023-24	600
F.Y 2024-25	750
F.Y 2025-26	450
<b>Total (A)</b>	<b>1800</b>
<b>Traded Goods (Physical exports from SEZ Unit)</b>	
F.Y 2023-24	-
F.Y 2024-25	1500
F.Y 2025-26	700
<b>Total (B)</b>	<b>2200</b>

Supply by SEZ unit to AA holder in DTA, other SEZs, EOUs? Inclusion for FOB value of exports? Exports, only taking goods outside India?

FOB value of exports	Amount in INR
<b>Supply of manufactured goods to Advance Authorization Holders in DTA</b>	
F.Y 2023-24	900
F.Y 2024-25	1200
F.Y 2025-26	600
<b>Total (C)</b>	<b>2700</b>
<b>FOB value of export of manufactured goods (including supply to AA holders in DTA)</b>	
F.Y 2023-24	1500
F.Y 2024-25	1950
F.Y 2025-26	1050
<b>Total (D)</b>	<b>4500</b>
Highest FOB value of export of manufactured goods in preceding 3 Financial Years (excluding supply to AA holders)	750
Highest FOB value of export of manufactured goods in preceding 3 Financial Years (including supply to AA holders)	1950
DTA Sale Entitlement = 30% thereon	
<b>30% (excluding supply to AA holders) ?</b>	<b>225</b>
<b>30% (including supply to AA holders) ?</b>	<b>585</b>
Incremental entitlement	<b>360</b>

## Slide 10

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**H(1** not required

Hari M (IN), 2026-04-17T04:40:00.876

**H(1 0** may be we can put this example as supply to another SEZ instead of AA holder

Hari M (IN), 2026-04-17T04:40:19.688

## Business Scenario - 5

Manufactured Product	Automotive Parts
HSN	8708
Tariff Rate	15%
Concessional Rate	10%

- Ability to continue to claim duty drawback?
- Payback of drawback claimed on DTA procurements for concessional clearance?
- Payback of drawback for every BoE and DTA clearance? Based on BoM? One-One Tracking? Reversal of drawback on non-apportionable inputs?
- Corresponding increase in base price to DTA customers (for foregoing of drawback benefit)? Cost-benefit analysis of concessional rate vs foregoing of drawback benefit?
- Other export benefit under FTP? Procurement by SEZ unit from AA holder/EPCG holder in DTA, considered for export obligation?
- Exclusion from VA computation? Or ineligible for the particular consignment? Continuous tracking and monitoring?

Inputs	Illustrative Value	Ratio	Duty Drawback	Other benefits under FTP
<b>For manufacture of goods cleared to DTA</b>				
<b>DTA procured</b>				
- Item A	60	15%	1.2	-
- Item B	90	23%	1.8	-
- Item C	70	18%	-	Procured from AA holder in DTA
- Item D	80	20%	1.6	
- Item E	20	5%	-	Procured from EPCG holder in DTA
	<b>320</b>	<b>80%</b>		
<b>Import</b>				
- Item E	50	13%		
- Item F	30	7%		
	80	20%		
<b>Total</b>	<b>400</b>			
<b>For manufacture of goods cleared for exports</b>				
<b>DTA procured</b>				
- Item A	100	18%	2	-
- Item B	150	27%	3	-
- Item C	220	40%	4.4	-
- Item D	80	15%	-	Procured from EPCG holder in DTA

## Slide 11

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H(1) very complicated

Hari M (IN), 2026-04-17T04:40:45.079

## Business Scenario – 6 – Inclusion of ADD?

Inputs	Value	Ratio	Duty Drawback or other benefit under FTP?	Leviable to Anti-Dumping Duty?
<b>For manufacture of goods cleared to DTA</b>				
<b>Import</b>				
- Item A	120	30%	-	Yes
- Item B	200	50%	-	No
	<b>320</b>			
<b>DTA sourced</b>				
- Item C	50	13%	-	-
- Item D	30	7%	-	-
	<b>80</b>			
<b>Total</b>	<b>400</b>			

Particulars	Amount (INR)
Selling Price per unit to DTA customers (including value addition and margin of SEZ Unit) -	470
Selling price including ADD – (A)	500
Imported Inputs - (B)	320
DTA procured inputs - (C)	80
<b>Total input procurement cost</b>	<b>400</b>
Value Addition for the purpose of Notification - $[A - (B+C)/(B+C)]$	25%
BCD on DTA clearance at tariff rates (A x 15%)	75
Anti-Dumping Duty (say 25%) on DTA clearance payable by SEZ Unit (Item A) (included in selling price to DTA customer)	30
BCD on DTA clearance at concessional rate under the Notification (excluding ADD) - (A x 10%)	71

## Action points



### Other Key Aspects

- Format for application for obtaining certificate from DC? Notification from offices of DC?
- Collation of value addition computation, eligibility details?
- DC Certificate, LOA wise?
- Benefit of alternate exemption notifications?
- Onus of classification on DTA customer or SEZ Unit? Declaration by SEZ unit to payback all differential duties in case of non-compliance?
- Indemnity from DTA customers?
- Mandatory on-site post clearance Audit? Audit officers from panel drawn by DC? Proceedings against SEZ Unit or DTA Customers?
- Queries by FAG on RMS?
- VA for every CTH, every consignment cleared to DTA? Weighted average for all part numbers/models of HSN? Future inclusions? Fresh DC certificate? “Inputs” mean raw materials, intermediates, components, consumables, parts and packing materials – One to one tracking of every input with every output HSN cleared to DTA?

Thank you