

Key Pending Issues related to SEZs and EOUs

As on 25.02.2026

1. SEZ Reforms

Major SEZ reforms – SEZ to DTA on duty foregone basis is still under discussion between Dept of Commerce and D/o Revenue on the issue of potential adverse impact on DTAs/windfall gains for vacant land. INR payment for supply of services from SEZ to DTA and reverse jobwork may be allowed. It has been proposed in the budget speech to facilitate sales by eligible manufacturing units in SEZs to the Domestic Tariff Area (DTA) at concessional rates of duty. We should allow all concessional /zero duty DTA sales of those goods which are being imported (particularly under FTAs/PFTAs)

2. Export Duty should not be levied on DTA to SEZ Supplies (email dated 9.10.2025)

There is no justification for levy of export duty on DTA to SEZ Supplies. It is not provided under the SEZ Act, and it can't be levied through a Rule. Further HC Gujarat in Essar Steel Ltd vs Union of India have examined it on merit and have rejected it in its order dated 4.11.2009. Recently, Supreme Court, vide order dated 28.8.2025 in Civil Appeal no 4489/2023 UOI vs M/s Adani Power Ltd. has also dismissed the appeal filed by Government. EPCEs has taken up with Government again on 9.10.2025.

It is understood that the Revenue Department is considering filing appeal/review against the Supreme Court Order.

3. Problems being faced by AMRL, SEZ, Nanguneri, Tirunelveli district, Tamil Nadu.(email dated 14.09.2023 and reminder dated 15.12.2025)

The developer of AMRL SEZ is a JV between AMRL and TIDCO. They have not done any infrastructure development and the SEZ is not being operated and maintained. The SEZ developer is under NCLT proceedings. As per SEZ Act and Rules, Government of India has to appoint some administrator so that units do not face apathy.

As informed by the Commerce Ministry on 16.1.2026, the matter is being examined in consultation with the Development Commissioner, MEPZ keeping in view the extant legal provision of Insolvency Bankruptcy Code (IBC), 2016 and SEZ Act, 2005 and SEZ rule , 2006.

4. Improving EODB - Streamlining endorsement of DTA invoices by SEZ SO/AO under SEZ Rule 30(4) / CGST Rule 89(1)(a) and (b)(letter and email dated 2.8.2022 , letter and email dated 19.5.2023, email dated 15.12.2025)

a. Endorsement only when GST refund

95% of DTA supplier have ITC and do not go for refund. There is unnecessary humongous work load for AO for endorsement. Zero-rated supplies are already recorded on the GST portal by both DTA suppliers (outward supply) and SEZ recipients (inward supply). All DTA suppliers issue e-invoices via the GST portal; these same invoices are again uploaded to SEZ Online/ICEGATE, adding no substantive compliance benefit but increasing data governance overhead.

- b. **Need for some sample/risk based rather than 100% invoices examination**
100% examination of DTA invoices for endorsement by SOs/AOs creates heavy workload per AO/SOs leading to huge delays. Since 100% examination is there, SOs/AOs ask for physical copies of related documents for their satisfaction of such DTA supplies before they endorse the invoices. This creates another problem. There should be uniform guidelines for some risk-based sample (5-10%) examination of DTA invoices and endorsement of other invoices on self-certification basis to reduce time.
- c. **Online instead of physical endorsement**
There should be online endorsement of DTA invoices by the AO/SOs which should be acceptable by GST authorities so that DTA suppliers are able to get the due refund. API based integration of SEZ Online with GSTN should also be completed at the earliest.

It is understood that SEZ Online Integration with GSTN for electronic endorsement of DTA to SEZ supplies (goods and service invoices) and processing of refunds is under progress. The manual process of refund of IGST will be replaced by electronic processing.

5. RoDTEP benefits should also be available to exports through FTWZ (email dated 30.12.2020, 25.02.2026)

It should also be seen that when such exports are made to such Zones/Warehouses in Dubai/Singapore, such DTA exporters get the advantage of RoDTEP. We should enable the transfer of such FTWZ business from Singapore and Dubai to India as part of Atmanirbhar Bharat leading to more employment in India.

Even though exports of products manufactured in SEZs /EOUs have been covered under the RoDTEP scheme, products exported by FTWZs are not allowed even though FTWZ is also an SEZ as per definition of FTWZ (Sec 2(n) of SEZ Act). This has resulted in disincentive for exports through FTWZ. It is requested that export of products through FTWZs may also be covered under the RoDTEP scheme. It may be due to FTP para 4.55(ix). This may be corrected. At least the DTA products exported through FTWZs may be covered under the RoDTEP.

In a meeting taken by AS(SEZ) on 5.1.2026, it was informed by the Commerce Ministry that the matter regarding extension of RoDTEP benefits to FTWZs is under consideration in DGFT.

6. Permitting IT/ITES developers for installation of RoofTop Solar Power plants as part of infrastructure/authorised operations for providing electricity in common areas. (emails dated 26.11.2024, 18.2.2025 and 7.4.2025)

Vide Instructions No 116, the Development Commissioners have been requested to consider such requests from Developers/Co-developers in terms of Para I(i) of the DoC Power Guidelines dated 16.02.2016. However, there is still lack of clarity in DC offices about declaring rooftops as Non processing area. This needs to be clarified.

It is understood that Commerce Ministry has sought comments from DGEP.

7. Including landholders who are part of Joint Development Agreement as Developers (email dated 17.2.2025 and 18.7.2025)

In a number of cases a Joint Developer Agreement is signed between landholders and a real Estate developer firm for development of SEZs. Presently only Real Estate Developers are treated as developer whereas landholders are also part of Joint Development Agreement and they should also be treated as Developers. Clarifications should be issued so that transactions between landholders and Real Estate Developer should also get the benefit of intra SEZ transactions and GST should not be levied on them.

It is understood that the Ministry has set up a committee in VSEZ and its report is awaited.

8. Import Monitoring Systems(Steel and Paper)(email dated 27.6.2025 for SIMS and 17.8.2025 and 13.1.2026 for PIMS)

The purpose of SIMS / PIMS and other Commodities Import Monitoring Systems is to monitor import of Steel/Paper/Commodities from abroad. This data is already available from DGCIS EXIM Data and can be made available earlier as required. As such, there is no need for putting additional burden on importers and exporters by SIMS/PIMS.

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

Recently, the High Level Committee on Non-Financial Regulatory Reforms under the chairmanship of Shri Rajiv Gauba, Member, NITI Aayog has also recommended revoking the Steel Import Monitoring System. EPCES has taken up again with the DPIIT. A stakeholder Consultation was held on 9.1.2026. There was lack of consensus. EPCES has submitted a detailed note on 13.1.2026.

9. Inclusion of FTWZ in the list of ports permitted to import of new cars (email dated 24.9.2025)

FTWZs are SEZs governed under the SEZ Act and are ports under the Customs Act and have excellent world class warehousing facilities. Operational FTWZs, by virtue of their legal status under the SEZ Act, already function as fully notified Customs stations. However, despite being equipped to handle high-value cargo, including automobiles, they are not presently included in the designated list of 18 Ports/ICDs for import of new cars. FTWZs may kindly be allowed to import and customs clearance of new vehicles through by amending the policy condition 2(II)(d) of Chapter 87 of ITC(HS) 2022, Schedule 1(Import Policy).

10. Difficulty in implementation of Instruction No 117 dated 24.9.2024 regarding new FTWZ Operational Framework (email dated 15.10.2024)

DoC, vide Instruction No 117 dated 24.9.2024, has issued guidelines for Operational Framework of FTWZ and Warehousing units in SEZs. It has been provided that the units

should have a temper-proof ERP/SAP system and the transfer of goods from one FTWZ to another FTWZ should not be allowed except in specific and exceptional cases after consideration by the UAC. FTWZs/Units have represented about the cost implication of these guidelines and that restrictions on FTWZ to FTWZ transfer to be in violation of the SEZ Rules. EPCES has requested to have a meeting with all stakeholders to address the concerns of the FTWZ / FTWZ Units.

11. Clarification to be issued to field formation regarding treating contract manufacturing services as services provided under second proviso of Section 13(3) (a) of IGST Act 2017(email dated 22.9.2025)

This is regarding lack of clarity in the field formations about the zero rating of (export of) contract manufacturing services covered under 2nd proviso of Section 13(3)(a) read with Section 2(6) and Section 16(1)(a) of the IGST Act 2017. This has become all the more important now in view of the high additional tariff levied by the US. If , instead of import of components and export of finished goods, the transaction could be export of contract manufacturing services by Indian entities to foreign entities, as they will avoid paying high additional tariffs on export of finished goods to the US.it is requested that a clarification may be issued to the field GST formations as per para 3 above that such contract manufacturing services are covered under 2nd proviso of Section 13(3)(a) , IGST Act as the goods (components) are temporarily imported into India for repairs or ***for any other treatment or processes and are exported after such repairs or treatment or process.*** Accordingly, the place of supply of such services as mentioned in the 2nd proviso of Section 13(3)(a) shall be the location of the recipient of services. Furthermore, in case the location of the recipient of such services is outside India, and other conditions of definition of "export of services" as per Section 2(6) are satisfied, such services should be treated as "export of services". Furthermore, such "export of services" will be Zero rated supply as per Section 16(1)(a). This will also avoid additional high US tariffs on exports of such goods as there is no tariff on export of services.To be done by DoR/CBIC.

12. Including MOOWR units also in SEZ Rule 53 A:(j) for Net Foreign Exchange Earnings (email dated 17.9.2025)

Supply of goods to other SEZ units and Developers in the same or other SEZs and EOUs is counted towards NFE positive under A:(j) under SEZ Rule 53. Further, goods can be transferred by the SEZ units to bonded warehouses under SEZ Rule 46(13). However, such supply of goods to bonded warehouses is , at present, not counted towards positive NFE under SEZ Rule 53. This has now become important in view of the fact that many units are operating under the Manufacture and Other Operations in Warehouse Regulations (MOOWR), introduced through Notification No. 44/2019-Customs (N.T) dated 19th June, 2019. Many SEZ units supply goods to MOOWR units. In view of the above, it is requested that supply of goods from SEZ units to bonded warehouses including units operating under MOOWR Regulations, 2019 may also be included in A:(j) under SEZ Rule 53.

13. Issue of guidelines for cancellation of Letter of Approval (LOA) for Non-Operational and Non-Compliant Units in all SEZs including IT/ITES Special Economic Zones (email dated 19.9.2025)

The issuance of these guidelines (ensuring the time bound actions) will not only resolve the current administrative bottlenecks but also enhance the overall efficiency in terms of Ease of Doing business and attractiveness of SEZs as investment destinations. It will ensure that valuable infrastructure and space are utilized optimally for their intended purpose of promoting exports and economic growth.

14. Rule 11B Clarification regarding Interim status & Operational Continuity(IT/ITES Services)

- (a) Status of the Tenant during the Interim Period: Clarification regarding the status of such tenants during this phase to ensure a smooth and legally compliant transition without any operational or regulatory uncertainty
- (b) Operational Continuity from the Same Premises Clarification on whether it is permissible for the unit to commence operations as a DTA entity from the same premises immediately upon receiving the SEZ exit approval, pending the finalization of the NPA demarcation process.

15. Advice to AD Banks for allowing advance remittance to SEZ units for direct import of gold from abroad for export purposes(email dated 14.7.2025)

Special Economic Zone units are governed under SEZ Act and SEZ Rules and they are allowed to import goods duty free. They have to pay customs duties on supplies of goods to Domestic market.

Direct import of duty-free gold is permitted to SEZ units for export purposes. However, for buying duty free gold from international suppliers, SEZ Units are required to pay in advance. But AD Banks do not have clear instructions to allow advance remittance for purchase of gold from abroad. Earlier MMTC, being a nominated agency, had set up a trading unit and was supplying duty free gold to jewellery units. This was a great relief to the units because of instant off the shelf availability of gold including small quantities. The closure of MMTC has created huge problems for the units. Duty free Gold from the Domestic market (Domestic Tariff Area) is not available. Buying duty paid gold from DTA for export of jewellery purposes does not make sense as it blocks working capital of the units and defeats the advantage of working in SEZ. It is requested that AD banks may kindly be advised to allow advance remittance for purchase of gold from abroad. It is also requested that limit of advance remittance of USD 2,00,000 fixed in Master Circular No 7/2011-12 dated 1.7.2011 with no change in Master Circular No 13/2015-16 dated 1.7.2015 may kindly be increased at least in case of import of gold as price of gold has increased from USD 1600 per ounce during that time has gone up to about USD 3300 per ounce. To be done by RBI.

16. Simplification of compliance monthly reporting (Services)

There should be a single reporting of all export invoices which will be used by SEZ authorities for evaluating Softex certification/ DSPF /Monthly Performance Report /QPR and SERF

For example, TCS has 62 SEZ units registered across India with various SEZ authorities. As a unit holder, TCS has to file following:

- Monthly Performance Report (MPR) on or before 10th of subsequent month
- Service Exports Reporting Form (SERF) on or before 10th of subsequent month
- Annual Performance Report (APR) by Sept for previous financial year
- Softex on or before 30th of subsequent month

They have to report DTA Service Procurement Form (DSPF) for all unit before 20th of subsequent month and Quarterly performance report (QPR) by 10th for all LOP registered under SEZ as Developer /Co-developer.

This needs to be simplified

17. Rationalisation of Export and Import reporting to various agencies(Services)

Exporter reports all Offsite (Softex) and Onsite export (SERF) details thru STP and SEZ module. Further same export data is reported to GST authorities separately.

All physical imports / Service done by the unit is capture thru Customs / Banks under IDPMS. All Foreign Exchange earnings are captured thru Banks under EDPMS.

Currently, units have to report same data to various agencies.

18. Restriction on employees working for multiple SEZ location / projects(Services)

Employees of SEZ unit should be allowed to work for other SEZ projects/ premises for single/multiple projects in multiple locations, as long as the billing for the services are raised from respective unit.

19. Import into SEZ/FTWZ from abroad should not be subjected to RMS/routine examination in ICEGATE

As per Sec 53(1), SEZ/FTWZ are outside the customs territory of India for the purpose of undertaking authorised operations foreign territory. Therefore, imports into SEZ should not go through Customs RMS/routine examination. 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

20. Import Policy Restrictions should not be applicable to imports by SEZs and EOUs (email dated 26.6.2024):

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 Domestic Tariff Area (Domestic Market), Therefore, DGFT may issue a general order/notification in this regard. In fact, there is an old order in this regard. But it needs to be issued afresh. Further, import policy restrictions imposed by DGFT/other Ministries (Policy “Restricted” rather than “Prohibited”) (such as Quality Control Orders, MIP, Port restrictions, 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.

Notification no 17/2024-25 dated 11.6.2024 should not be applicable for imports by EOUs in view of FTP Para 6.01(d)(i) as has been done in respect of SEZs vide DGFT Policy Circular no 6/2024-25 dated 19.6.2024.

21. Steel Import Monitoring System

- (i) Even if SIMS is enforced, QCO should not be clubbed together with SIMS. QCO is enforced at the time of imports from abroad by Customs in respect of all goods. SIMS should be just import registration system.
- (ii) NOC is being insisted by Steel Ministry before registering under SIMS even in those cases where QCO/IS are not applicable on the imported steel putting additional burden on importers and exporters.
- (iii) QCO should not be there for steel items which are not even manufactured in India.
 - a. SE Forge manufactures tower flanges for wind turbine generators. For this steel has to be imported under HSN Code – 72061090 as this steel in diameter of 600 mm and above is not manufactured in India. SE Forge will have to shut down their SEZ plant.
 - b. The steel products (18CrNiMo7-6 & 42CrMo4) imported by M/s ZF Wind Power Coimbatore for manufacturer of wind turbine gear box is not available domestically in required sizes (dia 200-590mm) and capabilities to meet the quality requirements for manufacturing wind turbine gearboxes (IEC 61400/IS 16589-2022). BIS-certified suppliers in India have expressed their inability to meet the technical and quality specifications and overseas suppliers typically require 6 to 12 months for certification.
 - c. The availability of indigenously manufactured aerospace grade Steel is negligible. Thus, imports are mandatory. Since usage of Steel in terms of volumes is low in manufacturing of Aerostructures, foreign manufacturers are not keen on getting BIS approvals.
- (iv) QCO exemptions should also be provided to SEZs/EOUs /AA holders for manufacturing goods for deemed exports also.
- (v) Previously system was allowing to add more than one HS code under single BL. Now system allows only one HS code per BL. Therefore, if one consignment arrives with seven HS code, then, now, Units have to pay Rs. 5250/- as registration and processing fees instead of earlier fees of Rs. 750/- only. Besides this this is time consuming as the basic data need to be entered seven times. More than one HS code should be allowed to be entered in single registration under single Bill of Lading.

22. Issuance of EBRC by DGFT for exports by FTWZ units on behalf of their foreign clients (email dated 20.1.2025)

M/s ONNSYNEX Ventures (FTWZ) have stated that the issue arises because the SEZ online system (NSDL) captures the Exporter on Record (EOR) at the initial level as Onnsynex Ventures Pvt Ltd (OSV), along with their IEC details, followed by the client's name, address, and their IEC number. However, on the DGFT portal, the exporter is reflected as OSV. Consequently, their client, who has transacted through OSV FTWZ, is unable to obtain the

BRC in their name. This, in turn, prevents them from settling payments with their Authorized Dealer (AD) bank, as the BRCs are now generated exclusively through the DGFT portal. A modification in software system may be done to capture the correct information in relation to FTWZ transactions

23. Delays in Removal of hazardous scrap.(SEZ to DTA)

Due to procedural complexities of weighing, filling and duty payment, Units are unable to remove hazardous scrap such as packing material and it also occupies unnecessary space. Since this packing materials are fire hazardous considering the safety of Infrastructure and employees, blanket approval /relaxation be given for removal of packing material even after business hours. Under 49(4)(b) duty is not applicable on non-metal packing material.

Presently, Scrap clearance approvals are granted by taking 3 quotes and approval takes time where duty is payable. It is requested that transactional value may be allowed for clearances.

UPS Batters have shell life of 2 to 3 years and need replacement for safety purpose. Dead UPS batteries may be treated as absolute waste/scrap and allowed for payment of duty on transaction value

24. Delays in SION Approvals for EOUs(EOUs)

Presently for EOU units SION is fixed by the DGFT-New Delhi office. Obtaining SION permission takes a long time. SION approval may be delegated to DC office for EOUs.

25. Amendment in EOU provisions (Para 6.06(c) (II) and (iii) in line with revised EO periods and provision for extension of EO period specified for spices and herbs for AA vide DGFT PN 19 dated 29.8.2024 (email dated 6.9.2024)

Handbook of Procedures (HBP) para 6.06 (c) (ii) and (iii) need to be amended in line with revised EO periods specified for spices and herbs for Advance Authorisation vide DGFT PN 19/2024-2025 dated 29.8.2024, amending Appendix 4J to extend the EO period for spice category. Further, extension in export obligation period for EOUs for a period of 3 months (half of the stipulated EO period) by jurisdictional Development Commissioner may also be provided in para 6.06(c) of HBP as provided in respect of Advance Authorisation in HBP para 4.40(d).

