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# Supplies from SEZ to DTA Analysis of New Concession

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NOTIFICATION NO. 11/2026

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# Functioning of the SEZ

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- Section 26 of SEZ Act grants exemption from all customs duties on goods imported into a SEZ by a Unit or a Developer for authorised operations and exported outside India.
- Exemption reflects the export-oriented policy framework governing SEZs, under which imports into the SEZ are treated as being outside the customs territory of India.
- Where goods manufactured or procured in an SEZ are cleared into the DTA, pursuant to a sale to a domestic buyer, such clearances are governed by Section 30 of the SEZ Act.
- Goods removed from SEZ to DTA are treated as imports into India and are liable to applicable customs duties (including BCD, SWS, IGST, cess, etc.), as leviable on like goods when imported.

# Duty Implication of SEZ to DTA Clearance

As an illustration, we have taken a product (Photovoltaic Cellassembled in modules or made up into panels) classifiable under CTI 8541.43.00

- **Assessable Value (AV):** ₹10,000/-
- **Basic Customs Duty (BCD):** 20% [Standard Tariff rate]
- **Social Welfare Surcharge (SWS):** 10% of BCD
- **Integrated GST (IGST):** 18%
- **Agriculture Infrastructure and Development Cess (AIDC):** 20%

## **Duty Calculation [ SEZ to DTA]\***

1.  $BCD = 20\% \text{ of } ₹10,000 = ₹2,000$

2.  $SWS = 10\% \text{ of } BCD (₹2,000) = ₹200$

3.  $AIDC = 20\% \text{ of } AV = ₹2,000$

3.  $\text{Value for IGST Calculation} = (\text{Assessable Value} + BCD + SWS + AIDC) = ₹10,000 + ₹2,000 + ₹200 + ₹2,000$   
 $= ₹14,200$

4.  $\text{Integrated GST (IGST)} = 18\% \text{ of } ₹14,200 = ₹2,556$

**Total Duty Implication : ₹ 6,756/-**

**\*Clearance will be subject to Positive NFE**

# Issuance of Notification No. 11/2026-Cus dated 31.03.2026

- In light of the global trade disruptions, and to mitigate their impact, the Central Government, through the Speech of Hon'ble Finance Minister Smt. Nirmala Sitharaman in Union Budget 2026–2027, highlighted the intent of the government to introduce a one-time relief measure for units operating in Special Economic Zones (SEZs).

*“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”*

- Consequently, Central Government issued Notification No. 11/2026 - Customs dated 31.03.2026 (“Notification No.11/2026” or “Notification”) that grants a concessional rate of BCD and AIDC, as specified in the Notification, to specified goods when manufactured in SEZs and cleared to DTA subject to fulfilment of the prescribed conditions.

# Scope of Notification

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- Notification shall remain operational from 1<sup>st</sup> April 2026 to 31<sup>st</sup> March 2027.
- The Coverage of goods as per Table I and Table II of the Notification.
- Applicable to SEZs who have commenced production of goods on or before 31<sup>st</sup> March 2025
- Exemption is only available to the goods that are manufactured in the SEZ Unit.
- Units setup in a Free Trade Warehousing Zone are not covered within the Notification.
- Goods which after importation in the SEZ are removed, as such or after use, to the DTA not covered within the Notification.

# Coverage of Goods as per Table I

## Table I

Under Table I of the Notification, goods falling under Chapter 25 onwards of the First Schedule to the Customs Tariff Act, 1975 (“Tariff Act”) have been granted a partial exemption from **BCD only**, in respect of specified goods classified under particular tariff headings, sub-headings, or tariff items, strictly in accordance with the descriptions and entries set out therein.

Some entries are highlighted in the table below:

Sl. No	Chapter or heading or sub heading or tariff item	Description	Reduced rate of BCD
1.	2516 20 00	All Goods	9%
2.	5601 to 5602 [except 5601 30 00]	All Goods	9%
3.	6005 21 to 6005 24	All Goods	15%
4.	8401	All Goods	6.5%
5.	8517 62 90	All Goods	12.5%
6.	9019	All Goods	5%

# Coverage of Goods as per Table II

**Table II**

Notification covers certain goods of Chapter 31, Chapter 34, Chapter 39, Chapter 64, Chapter 85, Chapter 89, Chapter 90 and Chapter 94, allowing exemption from **BCD and AIDC only**.

S. No.	Chapter / Tariff Item	Description	BCD Rate (%)	AIDC Rate (%)
1	3102 10 10, 3102 10 90	All goods	5	5
2	3102 30 00	All goods	5	4
3	3406	All goods	10	5
4	3920, 3921	PVC Flex Films	10	5
5	6401 to 6405	All goods	10	10
6	8541 42 00	All goods	10	5
7	8541 43 00	All goods	10	10
8	8903	All goods	10	5
9	9028 30 10	All goods (other than those covered under specified notification)	10	5
10	9401, 9403, 9404, 9405	All goods	10	5
11	9405 50 00	Solar lanterns or solar lamps	10	2.5

# Good that are not Covered in the Notification

## Rate based Exclusion

Reduction in BCD is largely confined to tariff items where the standard BCD under the First Schedule to the Customs Tariff Act ranges between 7.5% and 25%. Tariff items attracting lower duty rates of 2.5% and 5% remain outside the scope of relief. Products with tariff rates exceeding 25% are also excluded.

## Chapter wise Exclusion

Particularly all the goods falling within Chapter 1 to Chapter 24 of the First Schedule to the Tariff Act are kept outside.

Standard Rate of BCD as per First Schedule to the Tariff Act	Reduced rate as per NN 11/2026-Cus
2.5%	No exemption
5%	No exemption
7.5%	6.5% / 5% [9018/ 9019 types of products]
10%	9%
15%	10%
20%	12.5%
25%	15%
25% >	No exemption

# Conditions to avail exemption (1/6)

## Condition 1

- To avail the exemption in respect of goods specified under Table I and Table II of the Notification, the SEZ Unit is required to file a Bill of Entry for home consumption on the common portal, which shall be subject to assessment by the proper officer.

## Condition 2

- The goods for which exemption under this notification are claimed should be manufactured by the Unit in the SEZ and should undergo a minimum value addition (hereinafter referred to as 'VA') of 20 %, which shall be calculated as under:

$$VA = \frac{A-(B+C)}{(B+C)} \times 100$$

Where,-

A= assessable value of goods removed into DTA by the Unit

B= sum total of cost, insurance and freight value of all imported inputs used for manufacture of such goods

C= value of inputs procured from DTA used for manufacture of such goods.

# Conditions to avail exemption (2/6)

## Illustrative Example of Condition 2 where value addition is $\geq 20\%$

Component	Description	Value
<b>A</b>	Assessable value of finished goods cleared to DTA	₹10,00,000
<b>B</b>	CIF value of imported inputs	₹5,00,000
<b>C</b>	Value of DTA-procured inputs	₹2,00,000
<b>B + C</b>	Total input value	₹7,00,000
<b>A – (B + C)</b>	Value added	₹3,00,000
<b>Value Addition Formula</b>	$(A - (B + C)) / (B + C) \times 100$	$(3,00,000 / 7,00,000) \times 100$
<b>Value Addition %</b>	--	42.85%
<b>Eligibility Result</b>	Meets minimum 20% requirement?	Yes — Eligible for concessional rate of duty

# Conditions to avail exemption (3/6)

## Illustrative Example of Condition 2 where value addition is < 20%

Component	Description	Value
A	Assessable value of finished goods cleared to DTA	₹9,00,000
B	CIF value of imported inputs	₹6,00,000
C	Value of DTA-procured inputs	₹2,00,000
B + C	Total input value	₹8,00,000
A – (B + C)	Value added	₹1,00,000
<b>Value Addition Formula</b>	$(A - (B + C)) / (B + C) \times 100$	$(1,00,000 / 8,00,000) \times 100$
<b>Value Addition %</b>	—	12.5%
<b>Eligibility Result</b>	Meets minimum 20% requirement?	No - Not eligible for concessional rate of duty

# Conditions to avail exemption (4/6)

## Condition 3

- The aggregate value of goods removed to the DTA by availing exemption under this notification in a financial year **shall not exceed 30 % of the highest annual Free on Board (FOB) value of exports of the manufactured goods made by the Unit in the SEZ in any one of the three immediately preceding financial years.**

### **Illustration:**

*FOB value of exports in the preceding three years:*

*FY 2022–23: ₹100 crore*

*FY 2023–24: ₹150 crore*

*FY 2024–25: ₹120 crore*

***Highest FOB value: ₹150 crore***

***Maximum permissible DTA clearance under exemption: 30% of ₹150 crore = ₹45 crore***

## Issue

- How is the maximum limit of 30% of highest FOB value going to apply in case of multi-product SEZ Unit?

# Conditions to avail exemption (5/6)

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## 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.

## Issues

- There is ambiguity as to whether the restriction applies only to export benefits availed under FTP 2023, or whether it also extends to benefits availed under earlier or subsequent Foreign Trade Policies, or benefits granted under schemes outside the FTP framework.
- The term “export benefits” as mentioned under Condition 4 is neither defined in the Notification nor under the SEZ Act, 2005 or the SEZ Rules, 2006.
- Whether the exemption can still be availed where drawback or FTP benefits was previously availed on inputs and surrendered pursuant to the notification and such inputs are used in manufacture of finished goods to be cleared to DTA?

# Conditions to avail exemption (6/6)

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## Condition 5

At the time of removal of manufactured goods to the DTA, the Unit shall,-

**A. produce a certificate from the jurisdictional Development Commissioner certifying the following,-**

(i) date of commencement of production by the Unit in the SEZ,

(ii) the annual FOB value of exports of manufactured goods made by the said Unit in each of the preceding three financial years, and

(iii) the extent of value addition achieved as prescribed in Condition No. 2 above.

**B. furnish a declaration to pay the duty leviable on such goods, but for the exemption contained in this notification, in the event of non fulfilment of any of the conditions specified herein.**

• **The exemption is allowed Subject to the satisfaction of the proper officer.**

# Issues in respect of Compliance with Conditions

## Points to ponder

- For a multi-product SEZ unit, whether the annual FOB export value certificate should be issued product-wise (one-to-one Co-relation) or based on the cumulative exports of all manufactured goods?
- Whether SEZ Unit is required to give certificate to comply 20% value addition each time when goods are cleared to the DTA?
- Whether the certificate is to be issued in the name of SEZ Unit when Bill of Entry is filed by DTA Unit?
- In the event of any violation of the conditions prescribed under the SEZ Notification, under which statutory provision would a SCN be issued, and would such SCN be issued to the SEZ Unit, the DTA buyer, or both?
- If goods supplied by an SEZ unit to a DTA unit are returned due to bad quality, damage, or similar reasons, what is the impact on the FOB value of such supplies?
- If goods supplied by an SEZ unit to a DTA unit are returned on account of a warranty claim, what will be the impact on the FOB value?
- In case of default in the realization of foreign exchange, will the SEZ unit be denied the benefit of the concessional rate?
- As per Condition No. 3, should the 30% limit be computed only on the basis of physical exports made outside India, or should supplies made from one SEZ unit to another SEZ unit also be considered?

# Duty payable upon clearance of goods from SEZ to DTA after Notification

As an illustration, we have taken a product classifiable under CTI 8541.43.00, and availed the Exemption under Sl. No. 7 of table II of Notification

Duty implication after SEZ Notification	Duty Implication prior to SEZ Notification
<p><b>Assessable Value (AV): ₹10,000</b>  <b>BCD: 10% [Standard Tariff rate]</b>  <b>SWS: 10% of BCD</b>  <b>IGST: 18%</b>  <b>AIDC: 10%</b></p> <p><b>Duty Calculation [ SEZ to DTA]</b>  BCD = 10% of ₹10,000 = ₹1,000  SWS = 10% of BCD (₹2,000) = ₹100  AIDC = 10% of AV = ₹1,000  Value for IGST Calculation = (Assessable Value + BCD + SWS + AIDC) = ₹10,000 + ₹1,000 + ₹100 + ₹1,000 = ₹12,100  Integrated GST (IGST) = 18% of ₹12,100 = ₹2,178  <b>Total Duty Implication : ₹ 4,278/-</b></p>	<p><b>Assessable Value (AV): ₹10,000</b>  <b>BCD: 20% [Standard Tariff rate]</b>  <b>SWS: 10% of BCD</b>  <b>IGST: 18%</b>  <b>AIDC: 20%</b></p> <p><b>Duty Calculation [ SEZ to DTA]</b>  BCD = 20% of ₹10,000 = ₹2,000  SWS = 10% of BCD (₹2,000) = ₹200  AIDC = 20% of AV = ₹2,000  Value for IGST Calculation = (Assessable Value + BCD + SWS + AIDC) = ₹10,000 + ₹2,000 + ₹200 + ₹2,000 = ₹14,200  IGST = 18% of ₹14,200 = ₹2,556  <b>Total Duty Implication : ₹ 6,756/-</b></p>

# When Anti Dumping Duty is applicable

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## Clearance of Goods from SEZ to DTA – Duty Scenarios:

1. Where ADD is applicable on imported inputs used by the SEZ unit, but no ADD is applicable on the finished goods cleared to the DTA, what would be the duty implication?
2. Where no ADD is applicable on the imported inputs, but ADD is applicable on the finished goods cleared to the DTA, what would be the duty implication?
3. Where ADD is applicable both on the imported inputs and on the finished goods cleared to the DTA, what would be the duty implication?

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# **Comparison with other Schemes/Exemptions**

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# SEZ Exemption v/s FTA Exemptions

Sl. No	Tariff item and Description [as per Notification No. 11/2026-CUS]		Partial rate as per NN 11/2026	Standard BCD rate as per Tariff Act	FTA Exemption under NN 22 /2022 - Cus – India UAE CEPA	FTA Exemption under NN 69/ 2011-Cus – India – Japan CEPA
1.	2516 20 00	All Goods	9%	10%	2516 20 00 All Goods – 0%	2516 All Goods – 0%
2.	5601 to 5602 [except 5601 30 00]	All Goods	9%	10%	All Goods – 0%	Chapter 56 to 63 – All Goods – 0%
3.	6005 21 to 6005 24	All Goods	15%	25%	All Goods – 0%	Chapter 56 to 63 – All Goods – 0%
4.	8401	All Goods	6.5%	7.5%	All Goods – 0%	All Goods – 0%
5.	8517 62 90	All Goods	12.5%	20%	No Exemption	All Goods – 0%

# SEZ Vs Other Schemes

Clearance of Finished Goods to Domestic Tariff Area		
EOU	MOOWR	SEZ to DTA - After Notification
<p>On clearances of FG – <b>GST</b> will be applicable.</p> <p><b>Surrender BCD and SWS exemption</b> – available on imported inputs</p>	<p>BCD, SWS and IGST is payable proportionate to imported inputs contained in finished goods.</p> <p>IGST is payable on finished goods</p>	<p>Eligible for <b><u>Concessional BCD and BCD/AIDC only</u></b></p> <p>SWS, IGST and cess etc., are payable.</p>

# Circular No. 18/2026

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Pursuant to the Notification mandating the benefit of partial rate of BCD and AIDC, and subject to the conditions to the Annexure to the SEZ Notification, CBIC issued Circular No. 18/2026 dated 01.04.2026 providing clarity on Assessment of Bills of Entry filed for the goods manufactured by SEZ.

## **Circular No. 18/2026 mandates the following:**

- Bill of Entry will be assessed by the proper officer in terms of Section 2(34) of the Customs Act.
- valuation and assessment of the goods cleared into Domestic Tariff Area shall be made in accordance with Customs Act and rules made there under as referred in terms of Rule 47(4) of the SEZ Rules, 2006
- The filing of the Bill of Entry by the SEZ unit for clearance of manufactured goods shall be assessed under faceless assessment. Additionally Bills of Entry are to be routed through Risk management System.
- The existing procedure and for filing of Bills of Entry by the SEZ Units and all other compliance requirements under the SEZ Act, 2005 and SEZ Rules, 2006 remain unchanged.
- The jurisdictional specified officer/ authorised Officer at the SEZ location shall continue to handle post assessment formalities such as examination (where ordered), out-of-charge, and any other functions not related to assessment of consignment.

# Ambiguity in levy of Interest in case of default

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- It is a settled principal of law that interest can be levied and charged on delayed payment of tax only if statute that levies and charges makes a substantive provision in this behalf. In the absence of specific provisions for levying of interest due to delayed payment of tax, the same cannot be levied/charged.
- In *Essar Project India Ltd v. Commissioner of Customs, Ahmedabad 2019 (369) E.L.T. 1547 (Tri - Ahmedabad)*, the Hon'ble Tribunal held:

*On a plain reading of the aforesaid provision, it is clear that in the event, the bill of entry is returned to the importer after assessment by the proper officer, the duty shall be required to be paid and in the event he fails to pay the duty within the specified period then interest would be leviable on the amount of duty for the delayed period. **In the present case, it is not in dispute that the bill of entry was filed on 23-10-2007 and after assessment, within five days, i.e. on 24-10-2007, the duty was paid. Thus, there was no delay in discharging the duty after assessment under Section 47 of the Customs Act, 1962. The Revenue's attempt to levy interest from the date of initial import by the SEZ developer i.e. as on 13-2-2007 is not supported by the provisions contained either under the SEZ Act or Rules made thereunder or under the Customs Act, 1962. Therefore, in my opinion, interest cannot be levied for the period 13-2-2007 to 23-10-2007.** Consequently, the impugned order is set aside and the appeal is allowed with consequential relief, if any, as per law*

# Suggestions

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- The duty reduction provided under Notification 11/2026 is marginal and does not significantly offset the overall duty burden since IGST, SWS and cess continue to apply; a deeper reduction in BCD and AIDC would make SEZ supplies to DTA commercially viable.
- The notification is applicable only for one financial year, which is too short for companies to restructure supply chains or pricing; extending the benefit for multiple years would provide certainty and encourage long-term planning.
- Exclusion of goods with lower tariff rates and entire Chapters 1–24 reduces the coverage significantly; expanding the product scope would improve the effectiveness of the notification.
- Companies and industry bodies may consider submitting representations to the Ministry seeking stronger rate relief, extension of time period, clarity on export benefits, rationalisation of conditions and expansion of eligible goods.

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