Respected Sir,

Thanks for the below mail and for the opportunity to suggest ways and means to improve while the **SEZ Policy 2.0** is being contemplated.

Below are some points suggested for your kind consideration:-

**Decentralisation of Norms Fixing Process (Advance Authorisation, EOUs &SEZs)**:- Currently the ratification of norms at DGFT Hqs (in case there is no SION available) is a long-drawn process and time consuming. It is suggested that RAs of DGFT and DCs of SEZs may be given the authority to Fix the Norms if the same is vetted/ verified by local (nearby) Govt Authorities/ Bodies/ Govt Universities/ IITs/NITs/Govt Engg Colleges/ Govt Polytechnics etc who have the knowledge and skill to calculate scrap for a particular Product. Effort should be made to create a panel, region wise or district wise to identify such agencies which are approved (eg like panel of approved Chartered Engineers) so that Companies basis their self-declared scrap could avail such services for their respective product at a cost. Once vetted, the RAs/ DCs could consider fixing the Norms. This will speed-up the process.

**Ease of doing business - Permission to Import without Customs Duties - MoD GoI Projects: –** With Govt promoting Private partnership in many of its Defence Projects, it is suggested that Customs Notification 41/2022 (mother notification 19/2019) be extended to Tier I Vendors apart from the Principle Contract Awardee at the minimum. The reason for this suggestion is to enable the Tier I partner to import independently and supply to the Contract Awardee thereby increasing the speed of execution and autonomous functioning. However, the checks and balances need to be put in place before the revised notification is issued.

**Financial Support to Companies engaged in R&D related to Defence Products/Projects**:- Currently companies involved in R&D on niche products like UAVs, Drones etc need to import parts, accessories as part of the development process. As there is no provision for custom duty exemption, huge capital is spent on the same. It is understood that MietY, has instituted some mechanism for financial support for R&D purposes. If similar scheme could be extended to companies engaged in R&D for Defence products, it would be helpful.

**Deemed Exports to be allowed for SEZ, EOUs, AA holders**:- DGFT vide notification 71/2023 dt 11 Mar 24 has banned Deemed Exports in absence of BIS-QCOs and permits only physical exports. As most of the Ministries have rescinded their QCOs or given exemption, Deemed Exports may be permitted till such time the rescinded period exists.

Thanks & Regards,

**Wg Cdr Pavan Salikar (Retd)** | General Manager | Supply Chain Management

**Dynamatic-Oldland Aerospace®**

(A Division of Dynamatic Technologies Limited)

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**Note for consideration in the stake holders consultation meeting on 30.6.2026.**
**From Mr PC Nambiar ,Director Group EXIM Serum Insititute of India Pvt Ltd. Member CGC fo SEZEPC**

There are two types of exporters. One—incidental exporter and another--committed exporter.

Considering the existing policies in various developed and under-developed countries since 1976, India has adopted various duty exemption schemes, such as, Advance Authorisation, through the licensing system.

1. In 1981, a need was felt to have a long-term policy for stable economic growth through Export Manufacturing Capacity Mobilisation and to support this initiative, the Export Oriented Scheme was introduced. Under this Scheme, committed exporters are given duty-free benefits on Capital Goods and Inputs on a 5-Year Business Plan. Income Tax benefits were also given for a period upto 2010. This Scheme was specifically for specific stand-alone units, without any locational preference and any duty exemptions on infrastructure creation. The scheme functioned predominantly under the Customs/Central Excise Act, though administratively they were under the Development Commissioner.

2. Statistically, the total Number of functional EOUs are 1,327, employing around 40,000 and registering exports of Rs. 1.50 lakhs in Rs. Crores as on 31/3/2025.

3. Though, since 1964, the export processing zones scheme was in existence, all these were established by the Government of India at the ports and administered by the Customs / Central Excise.

4. In the year 2000, a special provision for SEZ was introduced and was again controlled under Customs Act.

5. The Export Processing Zone and Special Economic Zone policies were offering exemptions and concessions under the Customs / Central Excise regulations. In 2003, a concept of exclusive SEZ Scheme, inducing private investments in setting up and operations of SEZs were mooted. This particular novel concept was to bring all the regulations and rules related to import, export, direct taxes, indirect taxes, the International Business Services, Offshore banking and allied provisions and also development of the SEZ zones, under one common statute i.e. SEZ Act. A Single Window Mechanism was to be in place to accept any application from public or private sectors for establishing SEZ and

SEZ units manufacturing or providing services therefrom in addition to administration of such SEZ and Units.

6. Since 2006, a number of new proposals, predominantly from private sector came up for setting multi product, sector specific SEZs. This attracted substantial investments, accelerated growth in employment and also the exports from SEZ reached an unbelievable high range. There was a clear evidence of higher economic growth through SEZs. As of 31 December, 2025, there are 276 operations SEZs and 6695 approved SEZ Units, generating total employment of 31,77,893 persons, attracting investment of Rs. 7,82,192 Crores and achieving Exports earnings of Rs. 11,65,711 Crores (133.45 Billion USD).

7. With the Sun-Set Clause being brought in 2017 for the SEZ developers and in 2020 for the units, the growth of SEZ development took a huge hit due to consequent uncertainty and unstable economic policy. This impacted further growth. This situation made the manufacturing Units in the SEZ Sector at par with EOU Units with reference to the duty exemption on capital goods and inputs. However, EOUs are allowed to sell products in Domestic Market on Duty Foregone Basis, whereas, the Units in SEZ Sector have to pay full Customs Duty on the sale value of the finished products which amounts to paying duty on labour and other factors contributing in the value addition.

   From the above stated historical facts, the following points are pertinent:

   (i) An ad-hoc approach for export promotion to support incidental exporters from Domestic Tariff Area did not bring any substantial economic and export growth.

   (ii) Stand-alone unit system, like Export Oriented Units also lost its sheen over a period of time because of the stagnant polices of Government of India, without encouraging further investments and export efforts, as the capabilities of stand-alone manufacturing units are naturally very limited and they have to individually create supporting industrial infrastructure to support their production which makes the scheme unviable.

   (iii) SEZ Scheme is the only scheme, which provided a uniform platform involving multiple ministries, departments, regulations, rules and procedures through more or less a Single Window Mechanism, with the Office of the Development Commissioner of the respective

zone as the head. As the SEZ is created within minimum prescribed area, with more manufacturing units using common industrial infrastructure provide by the private SEZ Developer attracted more investments, created large employment opportunities and thereby achieved accelerated export growth. All these zones were export oriented and their DTA sales were insignificant on an average of less than 20% of the total exports. From the statistics given above, it will be easier to realise that selling the products from SEZs to DTA will not impact the business of DTA manufacturers in any way.

(iv) The constraints SEZs faced are not in the areas of employment generation or export activities. The main problem was in utilizing the installed capacity within the SEZs. The real export market is subject to a very high external economic pressure and market conditions. Therefore, the export demand was not upto the capacity anticipated and created.

(v) The need of the hour is to streamline the duty benefits given to SEZ Units at par with EOUs, as they are functioning in the same ambit of the provisions of law, with reference to procurement of imported Capital Goods and Inputs.

(vi) Since 1950, the Government of India through Industrial Development Corporations created lot of Industrial Estates in various States. This onus to develop such infrastructure has been taken over by the private investors, as developers in SEZ. While the State Governments used their resources for developing industrial estates under State Industrial Development Corporation, the private SEZ developers invested their own funds in anticipation of revenue from the units functioning within such SEZs. It may be appreciated that such investments were made with a long term perspective based on assured guarantees of the Government. Thus, it is not proper to make frequent changes in the assurances given. Such changes have resulted in loss of interest in this scheme. Despite the frequent tampering, the SEZ investors have not backed out and out of 417 approved SEZs, 370 have been notified and out of which 276 are functional. Such investors deserve better support to sustain and earn their revenues.

(vii) As is evident, during the Covid pandemic situation, all the SEZ units were allowed to work from home, therefore such SEZs developed by private sector using their own resources become under-utilized. No compensation to these developers were given by Government of India thus leaving them in a lurch. It may kindly be noted that the basic premise of the SEZ policy is location based and therefore a minimum area was prescribed to approve any SEZ development proposal. It was expected that SEZ will have a Single Window Approval Mechanism. It is basically the confluences of multiple units using the common industrial infrastructure provided by SEZ developers. Thus, it is irrational to compare SEZ with either EOU or MOOWR Scheme. On the contrary the flexible provision available to these schemes should be extended to the SEZ Scheme.

(viii) Therefore, the need of the hour is the mitigation of the sufferings of SEZ developers who put substantial personal resources in development of SEZs and have policies for optimising full capacity utilization by these units.

It is therefore, submitted that

(a) SEZ created by the private sector is declared as a confluence of units, like the industrial estates, and give support by providing exemption from all duties and taxes for SEZ development. The duty component and tax component put together on such development is very insignificant with reference to the total investments made by them.

(b) All the units functioning within the SEZ is geographically situated within the country and they should not be treated differently with reference to the applicability of taxes and duties. With reference to manufacturing and sale of goods by SEZ units, these should be subject to the taxes and duties as applicable to any local manufacturing unit in the country. There was a good enough reason for treating SEZ unit differently as long as they enjoyed exemption from Income Tax benefits. This

benefit has gone now hence the special treatment is no longer present now.

(c) In view of the above, SEZ units should be allowed to sell their manufactured goods into DTA on the basis of refund of Customs Duty, which is saved on the goods or activities, when received into the SEZ. They do not enjoy any other special benefit under any scheme. The Deferment of duty may be equated with exemption. They only defer duty while getting material into SEZ under the current policy and procedure. While the EOUs and DTA Units pay the GST on their inputs and take ITC, the SEZ Units pay GST on the full sale value of the goods when cleared into DTA.

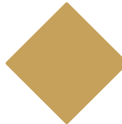
(d) From the statistics given above, it is clear that SEZ has been functioning continuously as a growth engine of Indian economy by attracting larger investment, creating substantial employment opportunities and valuable Foreign Exchange through exports.

# Reforms in the SEZ Framework

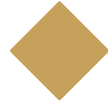
*Submissions of the Gems & Jewellery Sector*

Committee on Harmonisation of Export Promotion Schemes and SEZ Reforms · Stakeholder Consultation

**30 June 2026**

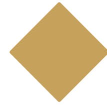


# Background & Purpose



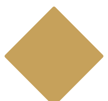
## Our Support

GJEPC welcomes the Committee's initiative to prepare a roadmap for comprehensive reform and a SEZ 2.0 policy. The gems & jewellery sector is deeply invested in the SEZ framework and keen to contribute to this exercise.



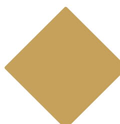
## Our Study

GJEPC appointed Economic Laws Practice (ELP) to undertake a comprehensive review of the SEZ framework applicable to the gems & jewellery sector, identifying the key challenges and possible avenues for reform (Report dated 26.03.2025).



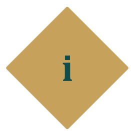
## This Presentation

The submissions that follow set out the key issues in the SEZ framework and the specific reforms sought. They are organised under eight priority areas, each pairing the issue with a clear, practical recommendation for the Committee's consideration.



# Our Eight Priority Areas for SEZ Reform

- i — Ease of Entry and Exit
- ii — Ease of Manufacturing: Procurement, Repairs & Returns
- iii — Utilisation of Idle Capacity (DTA sub-contracting)
- iv — Time-bound, Uniform, SOP-driven Clearance
- v — Taxation Incentives and Reforms
- vi — MOOWR/EOU Parity for DTA Clearances
- vii — Ease of Logistics Facilities
- viii — Utilisation of Unused Spaces




# Ease of Entry and Exit

## THE CONCERN

- Setting up a unit, and later exiting, is onerous and complex.
- The SEZ framework provides for a "Single Window Clearance" mechanism, under which:
  - i. the Approval Committee is empowered to grant the approvals and other matters as may be notified [S. 14]; and
  - ii. States are required to endeavour to provide a single-point clearance system under various State laws [Rule 5(5)(h)].
- In reality, SEZ units must still approach multiple Central, State and municipal authorities for approvals, licences and renewals.
- Exit from an SEZ is equally cumbersome under the present framework [Rule 74 & 74A; Instruction 108-SEZ], owing, *inter alia*, to valuation disputes and impractical timelines.

## RECOMMENDATION

- Fully operationalise the single-window mechanism under Chapter V, with delegation of powers to the DC / Approval Committee by State and municipal departments (Rule 5(5)(h)).
- Support it with an integrated online portal carrying time-bound, deemed-approval provisions.
- For exit: an amnesty scheme for legacy duty disputes, a swifter and fairly-valued exit mechanism, and a moratorium for non-functional units.

# Ease of Manufacturing: Procurement (1/2)

## THE CONCERN

- Manufacturing efficiency depends on assured input supply and flexible movement of goods; most SEZs have no dedicated bullion supplier.
- Bullion is the principal raw material, and overseas refineries deal only on an advance-payment basis. However, RBI notifications already disallow advance payment for gold imports, and Rule 11 of the FEM (Export and Import of Goods and Services) Regulations, 2026 (notified January 2026, effective 1 October 2026) seeks to restrict it still further.
- The only alternative (Bank Guarantee / Letter of Credit) adds bank charges, delay and working-capital strain, impacting the efficiency of operations.

## RECOMMENDATION

- Ensure availability of precious metals within the zone: a Nominated Agency operating inside the SEZ, or dedicated vaulting facilities for units.
- Notify a carve-out from the RBI / FEM advance-payment restriction for SEZ exporters, under which:
  - i. advance remittance for the import of gold or silver is permitted to SEZ units, recognising bullion as the essential raw material of the trade, by invoking Section 49 of the SEZ Act; and
  - ii. in the alternative, RBI prescribes a workable mechanism allowing exporters to make advance remittance, subject to appropriate safeguards such as end-use, time limits and reconciliation.

# Ease of Manufacturing: Enablers (2/2)

## Minimum Gold Purity Norm (Export)

- Chapter 71 of the ITC-HS (Para 6.01(a), FTP) permits export of gold jewellery only between 8 and 22 carats; below 8 carats is not permitted (Rule 45).
- With rising gold prices, overseas buyers increasingly demand lower-value (<8-carat) jewellery; competing centres already service this, risking loss of high labour-content orders.
- Under the WCO Harmonized System (Chapter 71, Note 5), any item with 2% or more gold by weight is already classified as an article of gold, well below the 8-carat (about 33%) floor.
- **Recommendation:** relax the 8-carat minimum purity floor for export from SEZs, aligning with the WCO 2% norm, with appropriate safeguards.

## 'Bill-to-Ship-to' Procurement of Diamonds

- Customers wish to select diamonds (natural / lab-grown) from their own suppliers, shipped directly to the SEZ unit for setting and finishing.
- Rule 18 already provides an analogous framework (manufacturing services to an Overseas Entity for foreign-exchange consideration), but it is not clearly recognised in Customs / SEZ Online for diamonds.
- **Recommendation:** issue an explicit clarification under Rule 18 or other enabling amendment, with corresponding Customs, GST and banking documentation.

# Utilisation of Idle Capacity (DTA sub-contracting)

## THE CONCERN

- G&J demand is highly seasonal and volatile; SEZ units suffer significant underutilisation of capacity and skilled workforce in lean periods, even as DTA units face steady or rising domestic demand.
- Subdued export demand, particularly the impact of U.S. tariff measures, has left idle capacities, reduced efficiency and potential job losses.
- Rule 43 of the SEZ Rules, 2006 permits subcontracting for DTA units only against export consignments, not to meet domestic demand.

## RECOMMENDATION

- Permit SEZ units to undertake subcontracting / reverse job work for DTA units even where the goods are not meant for export, subject to safeguards.
- Duty limited to the duty foregone on imported inputs; movement tracked via a verifiable audit trail; procedure aligned with the GST job-work regime.
- This sustains employment and optimises capacity without prejudice to DTA manufacturers (detailed at Para 3.5).

# Time-bound, Uniform, SOP-driven Clearance

## THE CONCERN

- At present, clearance procedures and other operational aspects vary widely across SEZs, causing avoidable delay and uncertainty for units.

## RECOMMENDATION

- A uniform, DC-accepted SOP should govern such clearances, modelled on the best practices of selected SEZs (covering procurement, manufacturing, domestic and export sales, Customs processes, etc.).
- Supported by a digital workflow and defined turnaround timelines, such an SOP would lend transparency and predictability to import and export clearances.

# Taxation Incentives and Reforms

## THE CONCERN

- The sunset of SEZ tax benefits has eroded the cost-competitiveness of units.
- Notification No. 11/2026-Customs (31 March 2026) introduced concessional duty for SEZ-to-DTA clearances, but kept gems & jewellery (Chapter 71) outside its scope.
- Exports to the USA fell from USD 9.97 bn (FY 2024-25) to USD 5.12 bn (FY 2025-26), a 48.7% contraction; April 2026 gross exports were down 31.4%.

## RECOMMENDATION

- A redesigned, WTO-compliant incentive framework: investment- and employment-linked, on the lines of international zones.
- Extend the concessional DTA duty framework (Notification No. 11/2026-Customs) to Chapter 71.
- Rationalise GST, TCS and TDS compliances, as detailed in the SOP, to restore the attractiveness of SEZs for fresh investment, similar to that undertaken for IFSC units recently.

# MOOWR/EOU Parity for DTA Clearances

## THE CONCERN

- MOOWR and EOU units may supply goods into the DTA on reversal of only the duty exemptions availed on imported inputs; the duty is confined to the inputs, not the unit's value addition.
- SEZ units, by contrast, must pay duty on the full value of the finished goods when clearing them into the DTA.
- This is anomalous: the duty effectively falls on the value addition carried out within India itself, unlike the position under MOOWR or EOU.

## RECOMMENDATION

- Permit SEZ units to supply goods into the DTA on reversal of the duty foregone on inputs alone, on par with MOOWR and EOU units.
- Confine the duty to the imported inputs used in such goods, not to the value addition carried out by the SEZ unit.
- Such parity would also encourage SEZ units to source more inputs from the DTA, thereby supporting domestic suppliers.

# Ease of Logistics Facilities

## THE CONCERN

- In certain SEZs (e.g., NSEZ), a single logistics supplier holds a monopoly, sustained by added bureaucracy and operational barriers that deter new entrants (Para 17.3).
- With no competition, units are left with limited choices and must rely on one provider, which inflates logistics costs.
- Higher logistics costs reduce the competitiveness and profitability of SEZ units and undermine the cost-effectiveness that SEZs are meant to offer.
- Cross-border e-commerce is now a major export channel, yet SEZ units cannot fulfil such orders, while competing hubs ship from bonded warehouses abroad (e.g., China / JD Logistics).

## RECOMMENDATION

- Open SEZ logistics to multiple service providers so units can choose on price and service, and remove the entry barriers that protect a single incumbent.
- Make the engagement of logistics providers a transparent, time-bound DC approval, with published service standards and rate benchmarks.
- Permit units to appoint logistics providers of their choice, subject to standard Customs and security safeguards.
- Enable cross-border e-commerce exports for SEZ units through an FTWZ-based bonded-warehouse model (on the lines of China / JD Logistics), with simplified Customs clearance and returns handling.

# Utilisation of Unused Spaces

## THE CONCERN

- Non-functional and dormant units presently lock up valuable built-up space within SEZs without contributing to activity.

## RECOMMENDATION

- Permit SEZ units to sub-lease a portion of their premises during off-peak periods, subject to a limited number of months in a year and satisfactory export performance.
- Expedite the exit of dormant units so that vacated space may be reallocated, improving overall zone utilisation and viability.

# Submitted for the Committee's consideration

The Gems & Jewellery Export Promotion Council

*Stakeholder Consultation · 30 June 2026 · Vanijya Bhawan, New Delhi*

**GJEPC: Specific Responses to the Committee's Terms of Reference**

*Committee on Harmonisation of Export Promotion Schemes and SEZ Reforms, Stakeholder Consultation, 30 June 2026*

1. The gems and jewellery sector ("G&J sector") being highly export oriented and invested in the Special Economic Zone ("**SEZ**") framework welcomes the present move of preparing a roadmap towards road-mapped and comprehensive reforms in order to formulate a SEZ 2.0 policy.

2. In this regard, GJEPC had appointed Economic Laws Practice ("ELP") to undertake a comprehensive review of the SEZ framework applicable to the G&J sector and in order to identify key challenges faced by it and possible avenues for mitigation. Copy of the Report dated 26.03.2025, is attached herewith for reference, although certain issues highlighted have already been resolved.

3. In respect of the Terms of Reference set out in your e-mail, preliminary inputs are tabulated below:

| TOR | Issue raised by the Committee & GJEPC's Response |
|---|---|
| 1 | ***Issue:*** *Feedback about the existing schemes: SEZs, EOUs, MOOWR, Advance Authorisation, Export Promotion Capital Goods, Duty Free Import Authorisation.*<br><br>***Response:***<br>***MOOWR*** **:**<br>a. The Manufacture and Other Operations in Warehouse Regulations, 2019 ("**MOOWR**") Scheme was introduced as a flagship initiative to promote investment, manufacturing and exports. MOOWR permits duty-deferred import of inputs and capital goods, without any consequent mandatory export obligation.<br>b. In relation to G&J industry, this scheme is most relevant for the diamond cutting and polishing industry. While import of natural rough diamonds is exempt from levy of Customs Duty[1], other inputs such as cut and polished or semi-polished diamonds attract customs duty and GST when imported for re-cutting, re-polishing, repairing, colour treatment and other value-addition processes. This adversely impacts India's competitiveness vis-à-vis other diamond processing centres. Accordingly, it is submitted that extending the benefits of MOOWR to such activities would facilitate value addition, generate employment and enhance exports from India. |

[1] *S. No. 345 of Notification No. 50/2017-Customs dated 30.06.2017 [rough diamonds (industrial or non-industrial)]*

| TOR | Issue raised by the Committee & GJEPC's Response |
|---|---|
| | c. However, applications filed by industry members for registering premises under MOOWR were rejected (in Surat) based on the value addition norms set out in the Foreign Trade Policy[2]. Para 4.48 of the Foreign Trade Policy presently permits setting up of bonded warehouses for import and processing of diamonds and other precious stones, subject to a minimum value addition of 5% by DTA units.<br>d. However, such value addition is not the norm for this industry, where it typically ranges between 2-4%. Separately, Circular 11/2013-Cus dated 06.03.2013 permitted setting up of private or public bonded warehouses in only four jurisdictions, which excluded applicants in Surat. This concern stands resolved, as CBIC has since added Surat as the fifth jurisdiction vide Circular No. 25/2023-Customs dated 25.10.2023.<br>e. In view of the above, the Council had recommended that the matter may be re-examined and suitable clarification be issued. However, this scheme is not applicable to SEZ units.<br><br>**Advance Authorisation:**<br>f. In terms of Para 4.36 of the FTP, Advance Authorisation for Precious Metals is granted on a pre-import basis with 'Actual User' condition for duty-free import [excluding Integrated Tax] of gold of fineness not less than 0.995, silver of fineness not less than 0.995, platinum of fineness not less than 0.900, and mountings, sockets, frames and findings thereof. Value addition is required to be achieved as per Para 4.37 of the FTP read with Para 4.60 of the HBP[3].<br>g. The procedure is governed by Para 4.84 of the HBP. Accordingly, the export obligation is required to be fulfilled within 120 days from the date of import of each consignment against the Authorisation. However, the export obligation period is 180 days from the date of import of findings and mountings made of gold, platinum and silver and to export of jewellery.<br>h. Where the Authorisation holder obtains gold, silver or platinum from a nominated agency in lieu of direct imports, the export obligation is required to be fulfilled within 90 days from the date of supply by the nominated agency. However, this scheme is not applicable to SEZ units. |

[2] Para 4.49 of FTP 2015-20; Para 4.48 of FTP 2023

[3] Per Para 4.60 of the HBP, the minimum value addition is 3.5% for plain gold/silver/platinum jewellery; 6% for jewellery studded with coloured gemstones and 7% for jewellery studded with diamonds; and 2.5% for findings and mountings manufactured by a mechanised process.

| TOR | Issue raised by the Committee & GJEPC's Response |
|---|---|
| | ***Export Oriented Units ("EOU"):***<br>i. **Scheme and Duty-Free Import:** In terms of Para 6.00 of the FTP, an EOU is required to export its entire production, save for permissible DTA sales. It may import inputs and capital goods for export production free of duty, subject to the 'Actual User' condition.<br>j. ***Permissible Exports***: In terms of Para 6.01(a) of the FTP, export of gold jewellery, whether plain or studded, and articles containing gold of 8 carats and above up to 22 carats, and findings containing gold of 3 carats and above up to 22 carats, is permitted.<br>k. **Sourcing of Precious Metals:** Per Para 6.01(h), a gems and jewellery EOU may source gold, silver or platinum through nominated agencies, on loan or outright purchase basis. The resultant export is required to be made within 90 days from the date of release of such metals.<br>l. **Net Foreign Exchange:** In terms of Para 6.04 of the FTP, the unit is required to be a positive net foreign exchange earner, with value addition as per Appendix 6B and NFE computed cumulatively in blocks of five years.<br>m. **DTA Sales:** Under Para 6.07(c), a gems and jewellery EOU is permitted to sell up to 10% of the FOB value of the preceding year's exports in the DTA, subject to positive NFE, on payment of GST and Compensation Cess together with reversal of the Customs duties availed as exemption on the inputs used in such jewellery.<br><br>**Duty Free Import Authorisation Scheme:** The DFIA Scheme has been discontinued for the gems and jewellery sector under the current Foreign Trade Policy. However, considering the export-oriented nature of the industry and the significant foreign exchange earnings generated by the sector, it is proposed that the scheme may be reintroduced for gems and jewellery exports on a post-export basis. Under such a framework, exporters may be permitted to claim duty-free import entitlement against completed exports, subject to prescribed value addition norms and verification mechanisms. |
| 2 | ***Question:*** *Any need of harmonisation or modification in the above schemes (duplication, one scheme better than another for the same exporter, etc.*) |

| TOR | Issue raised by the Committee & GJEPC's Response |
|---|---|
| | ***Response:***<br>***To be Discussed*** |
| **3** | ***Question:*** *Reforms in SEZ Framework* |
| **3.1** | ***Question:*** *Supplies of finished goods from SEZ units to DTA on the pattern of EOU/MOOWR: reversal of duty benefits availed as exemption (zero duty) on the inputs utilised for the purpose of manufacturing of such finished goods (Duty Foregone Basis)*<br><br>***Response:***<br>a. Units operating under the MOOWR and EOU schemes are permitted to supply goods into the DTA, subject to reversal of the duty exemptions availed on the imported inputs used in such goods. The duty so payable is thus confined to the inputs, and not to the value addition carried out by the unit.<br>b. In contrast, where SEZ units clear goods into the DTA, such clearances are permitted but duty is required to be paid on the value of the finished goods. This is anomalous, since duty is effectively levied on the value addition undertaken within the domestic tariff area itself, which is not the position under the MOOWR or EOU schemes.<br>c. Accordingly, it is submitted that SEZ units be permitted to supply goods into the DTA on reversal of the duty foregone on inputs alone, on par with MOOWR and EOU units. Such parity would also incentivise SEZ units to increase their procurement of inputs from the DTA, thereby supporting domestic suppliers. |
| **3.1.1** | ***Question:*** *Global practices in China, US, Indonesia, etc.*<br>***Response:***<br>a. Global practice shows that domestic clearances from bonded / FTZ / SEZ-type regimes are generally allowed, but the duty and tax benefits granted at the time of entry into the zone are regularised when goods move into the domestic market.<br>b. In China, bonded goods sold domestically are subjected to import duty and import VAT / related taxes under specific valuation rules for internal sales of bonded goods. In the U.S., foreign goods in FTZs remain duty-free while in the zone, but on entry into the domestic market duty becomes payable, and in many cases the importer may elect the more beneficial of input-duty or finished-goods-duty treatment, subject to privileged foreign status rules for specified goods. |

| TOR | Issue raised by the Committee & GJEPC's Response |
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| | c. In Indonesia, bonded-zone units enjoy suspension / non-collection of import duties and import taxes on entry, but domestic sales are monitored and capped, and goods cleared for domestic use are treated as imports for use with regular import-duty / import-tax consequences. These examples support the proposition that permitting SEZ-to-DTA clearances on a duty-foregone / duty-reversal basis is consistent with international practice and, in fact, more conservative than some foreign models.<br>d. A similar approach is seen in Thailand, where goods brought into a Free Zone are relieved from import duties and internal taxes while they remain in the zone, but when they leave the zone and enter Thailand for domestic consumption, they are treated as imports and duty becomes payable. In Vietnam, goods moving from export processing enterprises / export processing zones into the domestic market are subject to import tax, although Vietnamese law also recognises that where goods are manufactured in the free trade zone without using imported raw materials or components, import duty exemption may be available on domestic entry. |
| **3.1.2** | ***Question:*** *Any adverse impact on DTA manufacturers?*<br>***Response:***<br>a. Industry believes that it will not have any adverse impact on DTA manufacturers as SEZ units in gems and jewellery sector operate in a highly specialised and export-oriented segment. These units are equipped with advanced machinery, modern manufacturing technologies, and design-intensive capabilities to produce high-value, customised jewellery tailored specifically to international market requirements, which are different from the local demand. Their production processes, quality standards, and product specifications are largely aligned with global buyer preferences. Given this specialised and export-focused nature, SEZ production does not directly compete with Domestic Tariff Area (DTA) manufacturers. |
| **3.2** | ***Question:*** *INR payment by DTA entities for supply of services from SEZ units to DTA entities*<br>***Response:***<br>a. Presently, SEZ units in the gems and jewellery sector are not permitted to provide services to DTA units. |

| TOR | Issue raised by the Committee & GJEPC's Response |
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| | b. However, if in the future, supply of services is permitted, such as that of subcontracting (refer Para 3.5 below), such payments should be allowed to be received in INR and count towards NFE computation. |
| 3.3 | ***Question:*** *Impact of FTAs on SEZs*<br>***Response:*** |

| FTA | SEZ pre-FTA avg | SEZ post-FTA avg | SEZ % inc/dec | India pre-FTA avg | India post-FTA avg | India % inc/dec | Inference |
|---|---|---|---|---|---|---|---|
| Mauritius CEPA | 0.22 (FY2019-FY2021) | 1.41 (FY2022-FY2026) | 542.60% | 0.66 (FY2019-FY2021) | 3.06 (FY2022-FY2026) | 363.36% | Both SEZs and India show strong post-FTA growth; however, the increase at the SEZ level is proportionately higher than the India-level increase. This suggests that SEZs appear to have benefited meaningfully from this FTA. |
| EFTA TEPA | 17.26 (FY2023-FY2024) | 19.02 (FY2025-FY2026) | 10.20% | 588.79 (FY2023-FY2024) | 423.04 (FY2025-FY2026) | -28.15% | SEZs show a modest post-FTA improvement, while India-level figures decline. This suggests that, in relative terms, SEZs have benefited to a certain extent while the broader national trend is declining under this agreement. |
| UAE CEPA | 2,510.93 (FY2020-FY2022) | 1,350.88 (FY2023-FY2026) | -46.20% | 6,135.40 (FY2020-FY2022) | 7,658.25 (FY2023-FY2026) | 27.11% | Under this FTA, there is a clear divergence: India-level trend is rising, whereas SEZ-level figures show a sharp decline. This suggests that FTA |

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<tr><th>TOR</th><th>Issue raised by the Committee & GJEPC's Response</th></tr>
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<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>gains may not have accrued proportionately to SEZ-based exporters under UAE CEPA. Instead, the broader benefits of FTAs may be flowing more effectively to DTA-based exporters.</td></tr>
<tr><td>Australia ECTA</td><td>118.69 (FY2020-FY2022)</td><td>133.27 (FY2023-FY2026)</td><td>12.28%</td><td>211.22 (FY2020-FY2022)</td><td>280.12 (FY2023-FY2026)</td><td>32.62%</td><td>Both SEZs and India show post-FTA growth, but the India-level increase is significantly stronger.</td></tr>
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<tr><td>3.4</td><td>Question: How to make SEZs effective in import substitution<br><br>Response:<br><br>To be discussed</td></tr>
<tr><td>3.5</td><td>Question: Undertaking job work by SEZ units for DTA units without any linkage to exports<br>Response:<br><br>a. Presently, under Rule 43 of the SEZ Rules, 2006, a SEZ unit is permitted to undertake subcontracting (job work) for a DTA unit only against export consignments. Such subcontracting is not permitted to meet domestic demand.<br>b. The global demand for precious metal jewellery is highly seasonal in nature, with a significant share of exports concentrated in the period leading up to the festive and holiday season in Western markets. To meet this cyclical surge in demand, SEZ units are required to build and maintain higher production capacities to ensure timely delivery during peak periods. Additionally, during the lean period, units are often compelled to either reduce workforce or retain idle labour. However, this results in substantial under-utilisation of installed capacity and skilled workforce during the off-peak or lean months, creating operational inefficiencies and increased fixed cost burdens. This seasonality-driven production pattern therefore</td></tr>
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impacts capacity utilisation levels and overall productivity of SEZ units in the gems and jewellery sector.

c. In the current environment of subdued export demand, particularly due to the impact of U.S. tariff measures, many SEZ units in the gems and jewellery sector are facing significant underutilisation of their manufacturing infrastructure and skilled workforce. This has resulted in idle production capacities, reduced operational efficiency, and potential job losses.

d. Hence, it is submitted that SEZ units should be permitted to undertake subcontracting (job work) for DTA units, and to undertake reverse job work for DTA sales, even where the resultant goods are not meant for export. This should be allowed subject to the following safeguards:

   i. Appropriate duty is paid, limited to the duty foregone on the imported inputs used in such work.

   ii. The movement of goods to and from the DTA is tracked through a verifiable audit trail.

   iii. The procedure for permissions, inputs and timelines is streamlined and aligned with the job-work regime under GST.

**Export of gems and jewellery items from SEZs:**

e. During FY 2025-26, exports from Gems & Jewellery SEZs declined by 13.5% to USD 2,444.38 million from USD 2,827.14 million in FY 2024-25. Mumbai SEZ remained the largest contributor with exports of USD 2,085.04 million, accounting for over 85% of total SEZ exports, despite a decline of 8.5% over the previous year.

| SEZ | 2024-25 (US$ Mn) | 2025-26 (US$ Mn) |
|---|---|---|
| Chennai | 0.30 | - |
| Jaipur | 115.48 | 99.51 |
| Kolkata | 47.42 | 13.43 |
| Mumbai | 2279.76 | 2085.04 |
| New Delhi | 3.26 | 2.13 |
| Surat | 379.58 | 243.57 |
| Visakhapatnam | 1.34 | 0.71 |
| Totals | 2827.14 | 2444.38 |

| TOR | Issue raised by the Committee & GJEPC's Response |
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| | f. The Council has been making this recommendation to the Government of India. This measure would let SEZ units deploy their existing machinery, technology and skilled labour for domestic work during lean periods. Hence it would sustain employment, optimise capacity utilisation and support domestic manufacturing. It would also enhance the resilience of SEZ units during periods of weak export demand, while preserving their readiness to scale up exports when global market conditions improve. |
| **3.6** | ***Question:*** *International best practices missing in Indian SEZs*<br><br>***Response:***<br><br>The international best practices followed in countries such as the UAE and South Africa are highlighted below, along with a comparative analysis vis-à-vis India.<br><br>**UAE (Dubai Multi Commodities Centre, DMCC, Dubai)**<br><br>i. **True single-window clearance:** DMCC offers an integrated, fully digital single-window system for registration, licensing and related approvals, with a licence typically issued within 10 working days. It also permits 100% foreign ownership and free repatriation of capital. Indian SEZs, by contrast, still require clearance through multiple authorities separately.<br><br>ii. **Clear and comprehensive SOPs:** DMCC provides detailed and user-oriented SOPs for routine business processes. In Indian SEZs, procedural guidance is often limited, uneven or outdated, leading to inconsistent implementation across zones.<br><br>iii. **Operational flexibility:** DMCC has fewer restrictions on trading and operational activities, with greater reliance on compliance systems and audit trails. Indian SEZs continue to face rigid restrictions in subcontracting, sample procurement, approval-based transactions and limited domestic commercial flexibility.<br><br>iv. **Investor servicing and dispute resolution:** DMCC provides structured support through consultants, facilitation and dedicated dispute-resolution mechanisms. Indian SEZs presently lack a comparable institutional framework for fast commercial dispute resolution and investor support.<br><br>v. **Networking and branding support:** DMCC actively promotes industry networking, business communities and international market linkages. Indian SEZs generally do not provide structured networking or branding support at the zone level.<br><br>**South Africa** |

| TOR | Issue raised by the Committee & GJEPC's Response |
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| | i. **Sector-based clustering:** South African SEZs are oriented toward industrial clustering and leveraging regional strengths. Indian SEZs would benefit from a stronger sector-specific and ecosystem-based development approach, including for gems and jewellery.<br>ii. **Industrial policy alignment:** South African SEZs are positioned as instruments of broader industrial development and not export enclaves.<br>iii. **Targeted fiscal and infrastructure support:** Targeted incentives such as capital allowances and stronger infrastructure focus are given in South African SEZs. Indian SEZs lack more investment-linked and WTO-compliant support mechanisms.<br>iv. **Employment-linked incentives:** South African practice shows the value of linking SEZ incentives to employment generation and local economic development. This remains underdeveloped in the Indian SEZ framework.<br>**Comparative Analysis:** |

| Parameter | Indian SEZs | DMCC (Dubai) | South Africa SEZs |
|---|---|---|---|
| Single Window Clearance | Partial | Yes | Partial |
| SOPs | Limited | Yes | Partial |
| Infrastructure | Inconsistent | State of the Art | Improving |
| Regulatory Restrictions | High | Minimal | Moderate |
| Dispute Resolution | No | Yes | No |
| Networking Assistance | No | Strong | Limited |
| Cost of Operation | Varies | High | Moderate |

| TOR | Issue raised by the Committee & GJEPC's Response |
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| 3.7 | ***Question:*** *FTWZ reforms*<br>***Response:***<br>a. The SEZ Circular dated 3rd March 2016 issued under the provisions of the SEZ Rules 2006 had permitted units operating within Free Trade Warehousing Zones (FTWZs) to undertake storage and vaulting of precious commodities such as gold, silver, platinum, gems, and precious stones. Thereafter vide DoC Letter dated 17th April, the FTWZ framework has been extended to cover precious metal jewellery. |

| TOR | Issue raised by the Committee & GJEPC's Response |
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| | Additionally, the industry would like to request the Government of India to issue Standard Operating Procedures (SOPs) for proper operationalisation of FTWZ across the country. |
| **3.8** | ***Question:*** *Changes in SEZ Act/Rules*<br>***Response:***<br>a. The Council in the year 2022 had suggested various recommendations for the draft DESH Bill. The DESH (Development of Enterprise and Services Hubs) Bill was a proposed reform to replace the existing Special Economic Zones (SEZ) Act, 2005. It had aimed to modernise India's SEZ framework by shifting focus from traditional export-oriented zones to more flexible, multi-sector enterprise and services hubs. The objective is to simplify regulations, reduce compliance burdens, and align SEZ policy with current global supply chain dynamics and services-led growth.<br>The details of our proposed recommendations are attached at Annexure A. |
| **3.9** | **Question:** *Other Ease of Doing Business issues in SEZs*<br>**Response:**<br>Certain key suggestions, which would greatly increase the ease of doing business from SEZs are summarised below:<br>i. **Ease of Entry and Exit.** Presently, the framework for entry into an SEZ, i.e. the setting up of a unit, as also the consequent exit, is onerous and complex. Chapter V of the SEZ Act (Sections 13 to 19), titled "Single Window Clearance", constitutes the Approval Committee at the Zone level. Under Section 14, it vests the Committee with powers intended to enable approvals at a single point. In practice, however, an SEZ unit is required to separately approach multiple Central, State and municipal authorities for approvals, licences and renewals. This adds to compliance burden, delay and coordination difficulty. The exit framework prescribed under Rule 74 and Rule 74A of the SEZ Rules, 2006, read with Instruction No. 108-SEZ, likewise requires substantial reform. Hence, it is recommended that the single-window mechanism under Chapter V be fully operationalised. This should include delegation of powers to the Development Commissioner / Approval Committee by State and municipal departments (as contemplated under Rule 5(5)(h) of the SEZ Rules, 2006), supported by an |

| TOR | Issue raised by the Committee & GJEPC's Response |
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| | integrated online portal with time-bound, deemed-approval provisions. The present exit routes are ineffective and beset by valuation disputes, impractical timelines and unworkable auction conditions. An amnesty scheme for legacy duty disputes, a swifter and fairly-valued exit mechanism, and a moratorium for non-functional units are recommended.<br><br>ii. **Ease of Manufacturing through Procurement of Raw Materials / Repairs / Returns.** One of the key issues identified during the study undertaken was regarding the procurement challenges faced by G&J units operating in SEZs. It is highlighted that manufacturing efficiency is directly dependent upon an assured input supply and flexible movement of goods. However, in practice, most of the SEZs do not have any dedicated bullion supplier, leading to operational difficulties. Hence, one option in the Report to overcome such bottleneck was to ensure availability of precious metals (through a Nominated Agency operating within the SEZ or dedicated vaulting facilities) or granting SEZ units deemed "qualified jeweller" status to procure through the IIBX. The latter facilitation, i.e. procurement through the IIBX, has been now enabled to a significant extent by the IFSCA Circular dated 2 January 2026. That Circular relaxed the Qualified Jeweller eligibility criteria for SEZ units holding a valid Letter of Approval with export of jewellery as an authorised operation.<br><br>iii. **Utilisation of Idle Capacity in Off-season / Low-demand Phases.** Given the seasonal and volatile nature of G&J demand, SEZ units suffer significant underutilisation during lean periods, even as DTA units face steady or rising domestic demand. The Report recommends permitting SEZ units to undertake reverse job work / subcontracting for DTA units (presently barred by Rule 43, which allows subcontracting only against export consignments), with duty payable only to the extent of duty foregone on imported inputs. This would sustain employment and optimise installed capacity without prejudice to DTA manufacturers (detailed submissions on this point covered at Para 3.5).<br><br>iv. **Utilisation of Unused Spaces.** Another key issue faced by SEZs is regarding the non-functional and dormant units, which presently lock up valuable built-up space within SEZs without contributing to activity. Hence, an option of permitting SEZ units to sub-lease a portion of their premises during off-peak periods (subject to a limited number of months in a year and satisfactory export performance) |

| TOR | Issue raised by the Committee & GJEPC's Response |
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| | may be explored. Further, expediting the exit of dormant units so that vacated space may be reallocated would also improve overall zone utilisation and viability.<br><br>v. **Time-bound, Uniform, Process-driven Clearance of Exports / Imports through an SOP.** At present, clearance procedures, and other operational aspects, vary widely across SEZs, causing avoidable delay and uncertainty for units. It is submitted that a uniform, DC-accepted SOP ought to govern such clearances, modelled on the best practices followed by selected SEZs (covering procurement, manufacturing, domestic and export sales, Customs processes, etc.). Such an SOP, supported by a digital work-flow and defined turnaround timelines would lend much-needed transparency and predictability to import and export clearances.<br><br>vi. **Taxation Incentives and Reforms.** The sunset of SEZ tax benefits has eroded the cost-competitiveness of units. A redesigned, WTO-compliant incentive framework is required. It should be investment- and employment-linked, on the lines of international zones. This should be accompanied by extension of the concessional DTA duty framework (Notification No. 11/2026-Customs) to Chapter 71, and rationalisation of GST, TCS and TDS compliances as detailed in the SOP. These measures would restore the attractiveness of SEZs for fresh investment.<br><br>***<u>Other Recommendations</u>***<br><br>vii. **RBI Restriction on Advance Payment for Bullion Imports**. Bullion (gold and silver) is the principal raw material for jewellery manufacturing in SEZ units. A recent RBI notification disallows advance payment for import of bullion. This has created an operational difficulty, since the principal overseas suppliers, namely large multinational refineries, transact only on an advance-payment basis. The only alternative presently available is a Bank Guarantee or Letter of Credit in favour of the refinery. This entails additional bank charges, administrative costs and procedural delays, and strains working capital, since issuing banks require additional margin. Hence, it is submitted that the Central Government may exercise its powers under Section 49 of the SEZ Act, 2005 to notify a suitable carve-out from the said RBI notification in its application to SEZ gems and jewellery units, consistent with the overriding effect accorded to the SEZ Act under Section 51. In the alternative, the matter may be taken up with RBI for a |

| TOR | Issue raised by the Committee & GJEPC's Response |
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| | workable mechanism permitting advance remittance against bullion imports, subject to appropriate safeguards.<br><br>viii. **<u>Relaxation of Minimum Gold Purity Norm for Export of Jewellery</u>**. Under Rule 45 of the SEZ Rules, 2006, an SEZ unit may export goods and services as per its Letter of Approval, save for items prohibited under the ITC-HS. The export policy condition under Chapter 71 of the ITC-HS, reflected in Para 6.01(a) of the Foreign Trade Policy, permits export of gold jewellery, whether plain or studded, only where the gold content is 8 carats and above, up to 22 carats. Export of jewellery below 8 carats is presently not permitted. With the sustained rise in international gold prices, there is increasing demand from overseas buyers for lower-value jewellery below the 8-carat floor, so as to keep retail price points accessible. Competing manufacturing centres abroad already service this demand. As these are high labour-content, high value-addition products, Indian manufacturers risk losing such orders, and the associated employment, to other centres if the restriction continues. Hence, it is submitted that the 8-carat minimum purity floor be suitably relaxed for export of gold jewellery from SEZs, with appropriate safeguards.<br><br>ix. **Enabling 'Bill-to-Ship-to' Procurement of Diamonds (Natural and Lab-Grown).** Overseas customers increasingly wish to select and purchase diamonds, whether natural or lab-grown, from their own preferred suppliers, and to have these shipped directly to the SEZ-based manufacturer for setting and finishing into jewellery. Under such a 'Bill-to-Ship-to' arrangement, the customer pays the diamond supplier directly for the stones, and pays the SEZ unit separately only for metal, labour and value addition. Rule 18 of the SEZ Rules, 2006 already provides an analogous framework. It permits an SEZ unit to provide manufacturing services to an Overseas Entity and to receive consideration for its manufacturing service in convertible foreign exchange, directly from that Overseas Entity. At present, however, this model is not clearly recognised in Customs and SEZ Online documentation, particularly for diamonds. Hence, it is submitted that an explicit clarification be issued within the framework of Rule 18 to operationalise such Bill-to-Ship-to procurement, together with corresponding documentation for Customs, GST and banking purposes. |
| **3.10** | ***Question:*** *Any other relevant matter* |

| TOR | Issue raised by the Committee & GJEPC's Response |
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| | ***Response:***<br>**Request: Inclusion of Chapter 71 under Concessional DTA Sales Framework for SEZ Units**<br>The Government of India vide Notification No. 11/2026-Customs dated 31 March 2026 had introduced concessional duty for clearance of goods from SEZ units into the DTA to enhance domestic market access for SEZ-based manufacturers. However, the gems and jewellery products under Chapter 71 were kept outside its scope. The Council had represented to the Government of India that extending such concessional DTA provisions to the sector would have helped SEZ units manage external demand shocks more effectively, particularly in view of global trade uncertainties.<br>The need for such inclusion was underscored by the sharp contraction in exports to key markets, including the USA, where exports fell from USD 9.97 billion in FY 2024-25 to USD 5.12 billion in FY 2025-26, a contraction of 48.7%. The trend continued in April 2026, with gross exports declining by 31.4% to USD 445.75 million compared to USD 649.53 million in April 2025.<br>Therefore, the exclusion of Chapter 71 from the concessional DTA framework constrained operational flexibility of SEZ units, limiting their ability to diversify markets and optimise inventory during periods of global uncertainty. |

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| S. No | Reference | Details | Detailed Note | Suggestions |
|---|---|---|---|---|
| 1 | Removal of Used IT Assets (Networking Equipment's in DTA) | We are facing challenge in clearance of used networking equipment's in DTA.<br><br>The Customs is not allowing us to transfer these goods in DTA citing them as restricted goods, and covering these under the definition of Para 2.31 1 (b) of FTP. Para 2.31 of FTP i.e. All electronics and IT Goods notified under the Electronics and IT Goods (Requirements of Compulsory Registration) Order, 2021 as amended from time to time. | Para 2.31 of FTP.pdf | The CRO covers various Electronic and IT goods including laptops, microwave ovens, visual display units (large screen monitors), printers, plotters, scanners, wireless keyboards, optical disc players with power amplifiers and various other electronic devices, all of which require mandatory BIS registration. The Network Switches are classified under the "HSN 8517 62 90 - Other machines for the reception, conversion and transmission or regeneration of voice, images or other data, including switching and routing apparatus". Neither CRO 2012 nor CRO 2021 cover the subject product by description under any of the serial nos. within its scope.<br><br>Accordingly, we are of the view that the subject product is not covered under the scope of the entry at Sl. No. 1(b) of Para 2.31 of FTP. Thus, we may not be required to comply with the conditions prescribed against Sl. No 1(b) of Para 2.31 of FTP.<br><br>In the light of above, we are seeking clarification and guidance in the matter keeping in view the express provisions mentioned in SEZ Rules and FTP to enable us to remove the said goods into DTA.<br><br>We have parked an official letter with DC Office, but decision is still pending on this. |
| 2 | Seeking clarification on Invoicing, Payment and settlement of services export by SEZ Unit in INR | Acceptance of payment in INR against services exported from SEZ Unit. | RBI Circular on INR Payments for Export.p | We would like to refer to RBI's A.P. (DIR Series) Circular No. 10, dated 11th July, 2022, permitting Invoicing, Payment, and settlement of exports in INR for your information. The copy of same is enclosed herewith for your kind reference. We further refer to Rule 71 of SEZ Rules 2006 which allows repatriation of export proceeds as per the instructions issued by RBI from time to time.<br><br>We have parked an official request with DC Office, which has been forwarded to MoC for review and decision. The decision on this is still pending due to which we have lost a business opportunity. |

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| 3. | Allowing DTA sale in INR for IT/ITEs Units | Unlike Manufacturing units, the IT / ITES units are not allowed to make DTA sale against INR.<br><br>The IT / ITES Units are mandatorily required to realize the DTA sale proceeds in Freely Convertible Currency.<br><br>Indian domestic Market also hold a great potential for IT / ITEs but the condition of realizing the payment in FOREX acts as a big barrier to the Industry due to which SEZ Units are unable to explore their full potential and domestic sector also remain deprived of the specialty products offered by SEZ Units. | | The Domestic buyers are not interested in making the payments in FOREX for the Services / Products offered by SEZ Units this results in a potential market loss.<br><br>It is pertinent to mention here that IGST is equally leviable against supply of Services from SEZ to DTA and Import of Services in as far as taxability is concerned both the transactions are equivalent. While the Import of Services call for remittance in Foreign Exchange, the sale from SEZ to DTA may be made against INR.<br><br>Exchanging Payment Forex between SEZ & DTA Units in India is just a procedural barrier and no Forex gain is realized for the Country either.<br><br>It is suggested that SEZ Units may be allowed to make DTA Sale in INR subject to the condition that they maintain Positive NFE. |
| 4 | Notification No 56/2023 Dated 01.01.2024. | Used IT Assets may be removed from SEZ to DTA without a License for Restricted Imports for the purpose of further use in their DTA operations only; given that there is a minimum usage of 2 years in the SEZ area and that the goods are not older than 5 years from the date of manufacturing. | PDF<br>Notification 56 dt 01-01-24 Eng.pdf | The Used IT Assets like Laptop are required to be transferred to other DTA locations as per the business requirement, but the condition of minimum 2 years of usage in SEZ puts restrictions on transfer of these assets in DTA for own usage due to which we are unable to manage our Inventories effectively in line with business requirement. The condition of minimum utilization may be revisited to ensure effective utilization of IT Assets.<br><br>Even in valid cases, we have to first approach Customs for seeking approval for DTA transfer, file the Bill of Entry, make duty payments, this process usually takes 7- 10 days' time due to which we are unable to quickly transfer the Assets as per immediate business requirement.<br><br>To avoid these challenges the company is currently purchasing the Laptop Inventory on duty paid basis, leading to accumulation of huge ITC, the refund of which is being disputed by the GST Authorities leading to operational tax challenges for the SEZ Units. |

Classification: Internal

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| 5 | BLUT | A BLUT is required to be executed both by SEZ Unit and SEZ Developer in terms of Rule 22 of SEZ Rules 2006.<br><br>The value of the Bond-cum-Legal Undertaking shall be equal to the amount of effective duties leviable on import or procurement of goods and services of the projected requirement **for three months** as applicable but which will not be levied on account of admission of such goods into the Unit.<br><br>In case of SEZ developer, Rule prescribes that the value of the Bond-cum-Legal Undertaking shall be equal to the amount of effective duties leviable on import or procurement of goods and services of the projected requirement for operation by the developer but will not be levied on account of admission of such goods into the Special Economic Zone.<br><br>The BLUTs are submitted accordingly, and debit entries are done in bond register as per the procurement being made from time to time. Due to continuous posting of debit entries and no provision for recredit the BLUT balance gets exhausted at some point of time and Customs Officials insist for enhancing the BLUT amount.<br><br>The Units / Developers are required to furnish fresh BLUTs irrespective of the fact that many of the Assets get transferred / sold, while services consumed, but the amount associated with these is not considered for monitoring of effective BLUT Balance. This results in execution of excess BLUTs.<br><br>A Fresh BLUT is required to be executed on renewal of LOA for next block of 5 Years, and the same is updated in SEZ Online system too, but there is no provision to return / cancel the Old BLUT. | | It is suggested that suitable instruction / clarification be issued with respect to the procedure to be followed for monitoring of BLUT Balance.<br><br>Instruction No 72 dated 30.11.2020 was issued in this regard, that there shall be no debit and credit, the Bond-cum-Legal Undertaking amount shall be monitored quarterly or yearly on the basis of Quarterly Progress Report or Annual Progress Report and in case of any shortfall in the Bond-cum-Legal Undertaking amount, a fresh or additional Bond-cum-Legal Undertaking shall be furnished.<br><br>The Instruction lacks clarity on the mechanism to monitor the BLUT balance, it only says that it should be monitored on the basis of QPR and APR.<br><br>It is not clear as to which value out of following should be considered for Monitoring the BLUT Balance:<br><br>1. Value of Goods / Services procured since inception.<br>2. Value of Goods / Services procured during the relevant Quarter / Year.<br>3. Value of Closing Stock at the end of Quarter / Year.<br><br>As per the understanding obtained from Icegate system, the BLUT is debited at the time of Assessment of BoE / SB and re-credited once the Import Shipment is warehoused in SEZ or export shipment is allowed entry inward at the port of Export.<br><br>From the above, it is understood that BLUT is primarily to safeguard the duties / taxes applicable on goods / services as long as they remain in transit during the process of Imports / Exports / Temporary Removal. The liability is discharged as soon as goods / services are either warehoused / consumed in SEZ or exported. Suitable Instructions be issued to clarify the monitoring process so that BLUT balance can be maintained accordingly.<br><br>There should be provisions allowing cancellation and return of the Old BLUTs. |

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| | | | | We have parked a letter with MoC in Jan 2026 and awaiting clarification on this. |
| 6 | Rule 27 (1) of SEZ Rules 2006 | There are various items required for setting up and maintenance of Infrastructure facility, some of which fall under the scope of restricted items but such items are consumed within SEZ and never exported. A part from this manufacturing unit undertakes various kind of operations like refrigeration, cutting, polishing and blending wherein the restricted items are used as consumables and never form part of final export product. So technically none of the restricted items are exported out of SEZ.<br><br>We understand that intention behind introduction of 4th Provision to Rule 27 (1) was to ensure that restricted items are not exported from SEZ to Foreign Soil. If the intention of the legislature was to curtail supply of all the restricted items from DTA to SEZ, it may have found a simple expression as below:<br><br>"Provided that supply of restricted items from a DTA Unit to SEZ shall be allowed subject to the prior approval of BOA".<br><br>Instead of keeping it simple, the proviso has gone into detail and mentions as under:<br>"Provided also that for supply of restricted items by a DTA Unit to SEZ Developer or Unit, the DTA unit may supply such items to the SEZ Developer or Unit for setting up infrastructure facility or for setting up of a unit and it may also supply raw material to SEZ Unit for undertaking a manufacturing operation except refrigeration, cutting, polishing and blending, subject to the prior approval of BOA.<br><br>We are of the bonafide belief that the intention of the legislature behind mentioning the following | | It is suggested that restricted items repeatedly required for Infrastructure development / maintenance of facilities by SEZ Developer / Unit may be allowed to be procured with the approval of UAC instead of BOA, as has been allowed in case of procurement of Sand.<br><br>It will reduce the time and effort required in obtaining the permission from BOA and will ease operations for SEZ Developer / Units. |

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| | | activities was to categorically allow their supply from DTA:<br><br>1. The DTA unit may supply such items to the SEZ Developer or Unit for setting up infrastructure facility or for setting up of a unit – We understand that Infrastructure facility was categorically mentioned as any infrastructure facility remains within SEZ and never be exported out of India as such.<br><br>2. It may also supply raw material to SEZ Unit for undertaking a manufacturing operation except refrigeration, cutting, polishing and blending, subject to the prior approval of BOA – We understand that BOA Approval has been prescribed in cases where the restricted items are used in manufacturing process and form part of final export. | | |
| 7 | Revision in format of APR (Part-I).<br><br>Para 4 B | The current wording given in below paras of APR have interpretational issues due to which information submitted is not uniform:<br><br>(i) Year-wise CIF Value of capital goods imports and spares till end of the year under report.<br><br>(ii) Value of import capital goods received from other units in SEZ/EOU/EHTP/STP during the year<br><br>(iii) Total (i) + (ii)<br><br>(iv) Value of Imported Capital goods, and spares transferred to other units in SEZ/EOU/EHTP/STP during the year.<br><br>(v) Total value of imported capital goods and spared during the year (iii)-(iv) | | It is suggested that wording of the below paras be revised to bring in clarity and end interpretational issues:<br><br>(i) Year-wise CIF value of capital goods & spares imported in last 10 Years including this FY.<br><br>(ii) Year-wise value of capital goods & spares received from other unit in SEZ/EOU/EHTP/STP/FTWZ in last 10 Years including this FY.<br><br>(iii) Total (i) + (ii)<br><br>(iv) Value of Imported Capital goods, and spares exported / transferred to other units in SEZ/EOU/EHTP/STP/FTWZ in last 10 Years including this FY. |

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| | | (vi) Proportionate amortized value of imported capital goods taken for NFE calculations as per rule ____ of Special Economic Zone Rules, 2006. | | (v) Total value of imported capital goods and spares for the purpose of Amortization. (iii)-(iv)<br><br>(vi) Proportionate amortized value of imported capital goods taken for NFE calculations as per rule ____ of Special Economic Zone Rules, 2006. |
| 8 | Revision in format of APR (Part-II).<br><br>Para 4 | The Investment figures currently being asked for in APR are as under:<br><br>Investment in the Zone<br>(SINCE INCEPTION)<br><br>a) Building<br>b) Plant and Machinery<br>(i) Indigenous<br>(ii) Imported<br>(iii) Total (i) + (ii)<br><br>It is again interpretation, as SEZ entities procure both duty free & duty paid goods. Generally, the figures reflected by SEZ entities in this section are of duty free goods, while the duty paid goods are not reported, which do not reflect the actual picture. | | In order to maintain the uniformity and rule out the interpretational issue, it is suggested that Investment figures reported in this section should be as per the Fixed Assets Register of SEZ entities.<br><br>Investment in the Zone (As per FAR)<br>(SINCE INCEPTION)<br><br>a) Building<br>b) Plant and Machinery<br>(i) Indigenous<br>(ii) Imported<br>(iii) (iii)Total (i) + (ii) |
| 9 | Revision in format of APR Part-II Para 5 (2) | The current fields for showing the forex pendency in APR are as under:<br><br>Cases pending for foreign exchange realization, including those of previous years, if any.<br><br>Date of Export<br>Name of Importer<br>Address<br>Amount | | It is suggested to make this field should be informative and conclusive :<br><br>Cases pending for foreign exchange realization, beyond prescribed limits, including those of previous years, if any.<br><br>Export Invoice No<br>Date<br>Name of Importer<br>Address<br>Country of Export<br>Amount in FEX<br>Amount in INR<br>RBI extension available up to |

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| | | | | This will give clear picture of cumulative Forex pendency and its extension in APR itself. |
| 10 | Certification of Service Invoices | The certification of old Service Invoices is a regular challenge being faced by SEZ entities. The Suppliers for whom the GST Audits are going on are regularly chasing us for submitting the endorsements against the Invoices raised by them in 2017.<br><br>The Services Invoices endorsement has always remained a grey area as it is difficult to track the Service Invoices in comparison to goods Invoices. The movement of physical goods is traceable at SEZ gate itself, while no such mechanism in available in case of Services Invoice.<br><br>Since, the Service Invoices are received by respective users / accounts teams these get directly processed without any pre-check or verification by Customs.<br><br>The Service Vendors in particular are not very much aware of the process to be followed for Zero rated supplies and do not maintain any regular re-conciliation / follow-up for endorsement. They suddenly jump up at the time of Audits or in case any refund is held up for want of endorsed Invoices. If the endorsed invoices are not provided to them, they raise debit note for tax, interest and penalty amounts demanded by GST Authorities and even threaten to stop the supplies. | | It is requested that suitable instructions be issued to allow endorsement of old Services Invoices, particularly in cases where the services were utilized for authorized operation, reflect in GSTR-1 of Supplier and GSTR-2A of receiver and also evidence proof of payment.<br><br>This measure is very critical delay in submission of endorsed Invoices may invite tax demands from suppliers resulting in financial loss to the SEZ entities. At a time when direct tax benefits have already exhausted, any loss on account of disallowance of Indirect tax benefits on valid cases, will act a big set back to the SEZ Scheme.<br><br>**Establishment of an Online Tracking Mechanism**<br><br>In order to maintain a better control over the process of Services Invoices Endorsement it is proposed that an online module be developed in SEZ Online system which can capture the Service Invoices (based on SAC Code) reported by the supplier's in their GSTR-1 against SEZ GSTIN's along with LUT ARN details and generate a Customized Report on Monthly basis.<br><br>This report should auto populate in the inbox of all the SEZ Units / Developers based on their SEZ GSTIN on Monthly basis. The report should be downloadable in the existing DSPF Format.<br><br>The SEZ Units should review the details and identify Invoices pertaining to their respective SEZ Units, arrange copy of Invoices detailed in report and upload the DSPF against the same for approval of Customs on Monthly basis.<br><br>This will help in establishment of an automated system for Services Invoice endorsement and may end the issues currently faced by SEZ entities. |
| 11 | Renewal of LOA | In order to process the renewal application, DC office again reviews the APRs submitted for last 5 Years and if any observations are found or any | | We understand that the criteria for monitoring of a SEZ Unit as defined in SEZ Rules is NFE. In case a SEZ Unit is maintaining positive NFE, the LOA may be renewed for a period of 5 Years instead of issuing interim renewals. |

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| | | clarification is required the LOA is renewed for a shorter period ranging from 3 Months – 6 Months. | | In case any observations are found / clarification required, the Unit may be asked to furnish the reply within a defined timelines of say 45-60 days or as may be deem fit by the SEZ Authorities. |
| 12 | Frequency of filing of APR | In general, the APR is filed for a Financial Year but in specific cases where the LOA is expiring in the mid of year the Units are asked to submit the Split APRs:<br><br>One APR covering the period from April till the date of expiry of LOA & other for the remaining part of Year Up to March of the subsequent Year.<br><br>Due to this the SEZ Units are required to file 2 APRs in the renewal Year. | | It is suggested that uniform practice be followed for filing of APR, the APRs should be filed for FY, except in cases where the unit is closing down its operation or getting de-bonded.<br><br>The renewal of LOA may be undertaken on the basis of APRs submitted for the No of Financial Year completed. |
| 13 | Negative List of Services | At present the exemption of GST is available against the Services classified in the default list of Services or any additional service as may have been approved by UAC.<br><br>The present default list of Services is not in parlance with the SAC classification provided in GST Act and leads to interpretation issues and further challenges are faced in Services Invoices endorsement. | | It is suggested that a Negative List of Services in parlance with the SAC Classifications provided in GST Act may be issued to maintain uniformity and clarity all across and avoid interpretational issues. |
| 14 | DTA Removals of goods from SEZ | There is no set practice / procedure defined in SEZ Rules regarding removal of goods in DTA, especially with regards to removal of duty paid goods.<br><br>Rule 48 (3) of SEZ Rules 2006 prescribes the procedure for removal of goods in DTA on which no export benefits were allowed and where import duty on such good is Nil. | | The provision to rule 48 (3) prescribes that goods on which no export benefits were allowed and where the import duty on such goods in NIL may be supplied back to DTA without payment of duty on the basis of Invoice only and BoE in such cases shall not be required.<br><br>Accordingly, the following conditions needs to be satisfied for claiming the benefit under this rule:<br>• No Export benefit was availed.<br>• Import duty on such goods is NIL.<br><br>Accordingly, the goods which are procured from DTA on payment of applicable IGST but where Import duty is applicable are not entitled for removal under this procedure. |

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| | | Rule 49 (3) of SEZ Rules 2006 prescribes that goods on which no export entitlement were availed may be supplied back to the DTA without payment of duty.<br><br>Rule 49 (4) of SEZ Rules 2006 prescribes that goods imported and admitted into the SEZ after payment of applicable duty may be cleared in DTA, without payment of duty subject to the condition that the identity of goods is established to satisfaction of the Specified Officer. | | Rule 49(3) of SEZ Rules 2006 on the other hand prescribes, those goods on which no export entitlements (DBK, DEPB, AL, EPCG) were availed may be supplied back to the DTA without payment of duty, but it does not prescribe the procedure to be followed for removal. In the event there is no option other than to refer back to Rule 48 (3).<br><br>Rule 49(4) of SEZ Rules 2006 prescribes that goods imported and admitted into the SEZ after payment of applicable duty may be cleared in DTA, without payment of duty subject to the condition that the identity of goods is established to satisfaction of the Specified Officer, but again lacks the procedure to be followed for removal. In the event there is no option other than to refer back to Rule 48 (3).<br><br>The non-availability of a clearly defined procedure for removal of duty paid goods in DTA results in different practices being adopted / followed at different Customs locations and creates difficulties for companies to set up / maintain a uniform practice at all locations.<br><br>It is suggested that SEZ Rules be amended / suitable clarification be issued so to bring in a clear and uniform procedure for removal of duty paid goods in DTA.<br><br>The duty paid goods should be allowed to be removed in DTA on the basis of a GST Tax Invoice without having to file the DTA BoE. |
| 15 | Issuance of Laptop to Employees | The Employees are allowed to carry the laptop outside of SEZ as per the procedure defined in Rule 51 (7) of SEZ Rules 2006. This process requires a certificate to be issued to the employee, submission to the Specified Officer, and receipt of an acknowledgment. However, this process often leads to delays, as units are eager to allocate laptops to employees on their date of joining, but the additional compliance steps create operational challenges. | | The existing procedure defined in Rule 51 (7) may be revisited to either consider removing the conditions outlined in Rule 51 (7) or, revise the frequency of intimation to a monthly or quarterly post-issuance schedule.<br><br>This adjustment would make compliance more manageable and will provide the SEZ Units with greater flexibility without compromising on regulatory requirements. |
| 16 | SEZ to SEZ Transfer of Laptops | The SEZ-to-SEZ transfer of laptops is permitted under Rule 38 and 34, as per the procedure defined in Rule 30 (15) of SEZ Rules 2006. The | | To streamline this, It is suggested to allow transfers on an intimation basis, with the transaction being regularized by filing the Zone to Zone BoE on a monthly basis, thereby |

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| | | asset transfers require SO approval, filing of Zone to Zone BoE, and a physical inspection. This process is time-consuming and hinder the quick transfer and deployment of assets | | eliminating the need for SO approval and physical inspection for every transfer. |
| 17 | Approval for maintaining Centralized Inventory / Warehouse | Currently, all SEZ Units of a single company within the same SEZ campus are required to maintain inventories separately in their bonded premises. This leads to operational challenges and restricts quick deployment and allocation of assets.. | | To optimize efficiency and inventory management, it would be beneficial to permit SEZ units of the same company within the same SEZ premises to store inventory at a single location or warehouse. This approach would allow for more effective inventory management, faster allocation of assets, and the establishment of a centralized facility for receipt, issuance, and disposal. |

**Dear Shri Chaturvedi Saheb,**

It was my pleasure to be part of stakeholder's meeting at Vanijya Bhawan , Delhi on 30.06.2026 with Govt. representative of various department, to discuss the subject matter and express our views on various difficulties are being faced by the exports and SEZ units in particular. As discussed and suggested, we are sharing our view and opinion on various issues being faced by us in SEZ units.

## Harmonisation of Export Promotion Schemes

1. As there are various Export Scheme- Advance Authorisation (AA), Duty Free Import Authorisation ( DFIA) , MOOWR ( Manufacturing operation under warehouse) , EPCG ( for Capital Goods), Duty Drawback to allow the import duty free goods and/or remit the duty so paid on exports, with subject to various terms and condition and complex compliance requirement , with the adoption of technology, it can be simplified .

    A. The Advance Authorisation Scheme and Duty-Free Advance Authorisation scheme more or less having the same benefit except one is pre import and another is post exports , which can be merged and put to Self-certification basis. The procedure of norms fixation can be done away with, as it takes lots of time to get fixed and may a time fixed quite low then required. Simply exporter can be asked to submit their self-certified norms while applying the same the authorisation and at the time of exports, they can be asked to submit their exports shipment bills. The consumption of material as declared in shipping bills can be verified from the norms so declared. Similarly, in self ratification scheme, the condition of pre-imports may be done away with retrospectively, as the CIBC has already removed that condition in 2019. We can't understand why RoDTEP/RoSCTL is not available under DFIA but in AA. Such discrepancies can be avoided in similar scheme to avoid compliance burden and unintended litigation in future

    B. While prescribing the condition, focus should be on online compliance. For that purpose, an utility can be provided by the department, whereby the importers can provide the data of consumption, import, exports one quarterly basis and same can be used for all compliance purposes with respect to Export promotion Scheme and related Custom compliances

    C. Alternatively, all the units involved in exports except of SEZ units, can be asked to convert themselves on MOOWR , with benefits of depreciation on capita goods, as is available in EOU/SEZ Schemes. This will ease out the plethora of Scheme or duty shopping of the scheme as is termed by the department. If the benefit of depreciation on capital goods is allowed, then EOU scheme can also be discontinued.

    D. The units who don't wish to move to MOOWR, can avail the Duty Drawback of AIR or Brand rate fixation. For Brand rate fixation also, an online module can be developed to make application and reimbursement there of easier.

E. The Scheme of RoDTEP and RoSCTL more or less meant for the same purpose and tariff line based and therefore, can be merged in the same Scheme.

F. To our opinion, the EPCG scheme have not serve the intended purpose and in case of failure to meet the exports obligation, it causes more cost than saving. Still can be continued for heavy capex projects or the duty paid of import of capex may be made part of refund mechanism ( refund of accumulated ITC of GST, which currently does not consider GST paid on capital goods) so that exporter can get the refund of duty so paid in proportion to exports .

   Further, in EPCG, where the capital goods is procured locally , the EO is fixed at 75% of duty Foregone ( including of BCD+SWC) , however, in order to promote local procurement, the EO multiple should be taken only of GST portion , as BCD is not leviable on local procurement, then why to consider it for export obligation.

G. **All scheme on duty Foregone basis** – It would be better , if all the schemes are moved on duties on foregone basis, instead of operating under different Scheme and one scheme of DBK for not covered levies. The issue of blockage of working capital can be dealt with concessional rate of funding by the bank for the balance due to such duties.

## SEZ law reforms

2. India was the first Asian country to adopt the concept of SEZ way back in 1965 but without much success due to excessive mistrust and control of the government, then it was reformed through SEZ Act, 2005 with lots of improvement still legging behind the various other countries like China , USA , Vietnam etc. The manufacturing SEZs in India are set up in far flung and under developed area without much infrastructure facilities putting more hardship on unit holder as well as employees compared to service SEZ which are generally within the city limit, with all the required infrastructure facilities and connectivity. Still lot of investment have been made by the private player, however, with plethora of Scheme, Scheme Shopping by Trade and lack of proper support with changing time, SEZ could not contribute to promotion of manufacturing and exports of goods as expected. Post Covid ( 2020), the situation have deteriorated further firs by CoVID, the Russia- Ukraine War, then US Tariff, and now Middle EAST war. The industries cries for last five year hard being paid any attention in this regard. The proposed DESH bill ( in 2021) could not see the light of the day even after five years and therefore, this initiative was much needed and highly appreciated .

   A. **Complete integration of System** : In last 20 years, 2005 to 2025, the word changed a lot and with the adoption of technology, the systems can be integration to reduce the compliance burden as part of ease of doing the business. The integration of ICEGATE, DGFT and GST Portal will allow the flow of seamless information and providing the effective monitoring and control of operation of SEZ units, where Exports, Imports, Deemed Exports etc can easily be tracked.

   B. **Manufacturing & Service industry to be treated separately** : The Manufacturing and Service has different kind of issues and therefore , should be dealt with separately through separate provisions/ set of rules, except common ones.

C. **Use of SEZ Infrastructure and manufacturing facility on Duty Fore Gone basis** : The SEZs have created world class infrastructures, which is lying idle due to geopolitical situation as stated here in above and therefore, should be allowed to utilise and meet the domestic requirement. The units are in SEZ should be allowed to clear/ sell their goods on duty Foregone basis as is allowed in EOU / MOOWR units. Alternatively, a concessional rate of duty , as was applicable eto EOU under notification 23/ 2023- 2003 may be allowed where 75 % of BCD was exempted on DTA clearance. IGST in any way would be eligible for ITC hence not an issue.

D. **Concessional duty benefits under FTA not available to SEZ units** : India has signed about 40+ FTAs, with so many countries , therefore, imports from many countries are at concessional or zero rate of duties. However, the duty foregone is considered at Standard rate of duties, which is incorrect. In that case also, SEZ unit is required to pay the full on DTA, whereas DTA units will get the benefit of such concessional duties. Therefore, DTA sales from SEZ unit at duty Foregone basis would serve the purpose without affecting the units in DTA.

E. **Return of Goods sold by SEZ in DTA** - The DTA sales from SEZ unit has no provision for return of goods. When goods are sold from SEZ unit in DTA and in case of any quality or other issues , where customer want to return the goods without seeking for replacement, it cannot be returned to SEZ unit except for reprocessing/ repairs, which many a time not acceptable to the customer. This make the DTA customer vary to buy from SEZ Units.

F. **Return of goods purchased by SEZ units in DTA** - Any goods procured from DTA are allowed to return back to DTA with payment of duty foregone/ Exports benefit, however, it is not allowed in practice. Return of goods to DTA ( other than supplier) is allowed only at full rate of custom duty. Similar is the provision for Capita goods ( where dep. Is allowed) . Therefore, it should be on the basis of return of exports benefit availed basis [Rule 49(3)]

G. **Payment in Foreign Currency to DTA suppliers** - When the DTA supplier supplies the goods to SEZ units, for availing the exports benefit, the SEZ unit compulsorily need to make the payment in foreign currency from its FCA , which has no logic or advantage except extra transactional cost to SEZ unit. Therefore, it should be allowed to make in INR with exports benefit to DTA supplier [Rule 24(2)]

H. **Job work for DTA** – SEZ unit should be allowed to do the Job work for DTA units. [ Rule 42/43] However, if DTA clearance is being allowed on duty Foregone basis., then it may not be needed as it would become non operative.

I. **Refund to SEZ units :** There are various services through service providers, which to be availed by SEZ units on payment GST. The GST so paid get accumulated in unutilised ITC which is refundable to SEZ Units. Many a time, refund gets delayed/ not paid in time. Therefore, as an alternate, the ITC should be allowed to be utilised for such clearances where import equivalent duty is not payable by SEZ units.

J. **SEZ Exit Option – A costly affair** : While all the benefits of SEZ units are available under other scheme with lesser cost of EXIT, SEZ has huge cost of administration, compliance and EXIT. Specifically for manufacturing units, the biggest drawback of SEZ unit is Exit . As the SEZ unit is confined to a specific conclave, if SEZ unit want to Exit out of SEZ , then it is near impossible to do without significant cost , as there won't be any easy exit, unless they are having the near boundary location and able to access to non SEZ area. In that case, the SEZ unit to dismantle /abandon the plant building /construction and that cost would bid all the benefit on constructions etc and therefore, the units which don't want to operate as SEZ units, should be allowed an option to move to MOOWR in SEZ itself, this will address the complicated issues of debonding/ moving out of SEZ

K. **Concept of duty Foregone** : After the income tax benefit done away with, apparently SEZ units have not other benefits, which cannot be availed through other available schemes. The given income tax benefit has resulted in development of far flung and remote area across the country and therefore, the Income tax benefit given to manufacturing units have contributed to infrastructure development which outlast the revenue foregone by Income tax .

However, a myth has been created that SEZ and units situated there in given the large amount of benefits in form of ' Duty Foregone" . The SEZ schemes 's analysis from duty foregone perspective is absolutely incorrect. SEZ units are meant for exports and therefore, even otherwise also, taxes not collectible on goods meant for exports and any revenue which is not of Governments, can not be foregone. Further to that, in absence of exports, the given scale of production and supplies scan not be absorbed by the local demand

In addition to issues already covered by you, you may consider the following points for SEZ units & Easy of doing business.

1. Specifically for manufacturing units, the biggest drawback of SEZ unit is Exit . As the SEZ unit is confined to a specific conclave, if SEZ unit want to Exit out of SEZ , then it is near impossible to do without significant cost , as there won't be any easy exit, unless they are having the near boundary location and able to access to non SEZ area. In that case, the SEZ unit to dismantle /abandon the construction and that cost would bid all the benefit on constructions etc.

2. Secondly, the DTA sales from SEZ unit has no return provision. When goods are sold from SEZ unit in DTA and in case of any quality or other issues , where customer want to return the goods without seeking for replacement, it cannot be returned to SEZ unit except for reprocessing/ repairs, which many a time not acceptable to the customer.

3. Any goods procured from DTA are allowed to return back to DTA with payment of duty foregone/ Exports benefit, however, it is not allowed in practice. Return of goods to DTA ( other than supplier) is allowed only at full rate of custom duty.

4. When the DTA supplier supplies the goods to SEZ units, for availing the exports benefit, the SEZ unit compulsorily need to make the payment in foreign currency from its FCA , which has no logic or advantage except extra transactional cost to SEZ unit.

5. India has signed about 40 FTAs, with so many countries , therefore, imports from many countries are at concessional rate of duties. However, the duty foregone is considered at Standard rate of duties, which is incorrect. In that case also, SEZ unit is required to pay the full on DTA, where as DTA units will get the benefit of such concessional duties.

6. The benefit of depreciation on sale of capital goods is anyway available to DTA units as well.

Best Regards,

CA Manohar Maheshwari
Senior Vice President – Commercial
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## 1. L&T Technology Services

| Sl. No. | Issue | Suggestion | Justification |
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| 1 | DTA sales in INR by SEZ Units Section 2(z)(iii) of SEZ Act 2005. | Allow a certain percentage of Export services provided by SEZ Units to the DTA area, along with the realization of DTA sales proceeds in INR.<br><br>One-time waiver of penalties may be granted for organizations that have undertaken DTA sales in INR and realized the proceeds in INR. | As per current requirements, SEZ units providing services within India must realize proceeds in foreign currency. This creates a practical challenge wherein the domestic buyer must approach banks to procure foreign currency by paying in INR, incurring bank commissions and service charges. The payment is then remitted in foreign currency to the SEZ unit.<br><br>Subsequently, the SEZ unit is required to convert the foreign currency back into INR through its bank account, again bearing conversion charges and bank fees.<br><br>This results in a cost burden on both the buyer and the SEZ unit, making the process inefficient and commercially unviable.<br><br>Therefore, allowing a defined percentage of DTA sales in INR with realization in INR would provide necessary relief and improve ease of doing business for SEZ units. |

**KANAM LATEX INDUSTRIES PVT. LTD.**
AN ISO 9001:2015, ISO 13485:2016 & ISO 14001:2015 CERTIFIED COMPANY

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CIN: U25199KL1974PTC002650

**KL/E-09.** **3rd July, 2026.**

**To**
**Shri. Tanu Aggarwal**
**Deputy Director General**
**Export Promotion Council for EOUs & SEZs**
**Himalaya House, A 101, 10th Floor, 23, K.G. Marg,**
**New Delhi-110 001.**

**Respected Sir,**

We sincerely thank you for taking the initiative to convene a stakeholders' meeting on the urgently needed reforms to the Special Economic Zones (SEZ) framework. Such consultations are both timely and necessary.

The SEZ Act, 2005, has undoubtedly served a useful purpose in promoting exports and investment. However, the withdrawal of the 15-year income tax holiday for units commencing production on or after 1 April 2020 significantly reduced the attractiveness of the SEZ scheme. Add to it, FTA and other Duty Free imports via Advance Licence and EPCG etc. which has substituted what SEZ in 2005 was to provide.

It has now been several years since the DESH Bill was first proposed and SEZ 2.0 reforms were announced. Many entrepreneurs and investors made substantial investments in SEZ industrial zones based on the **Government's stated intention to introduce the DESH Bill** and the **SEZ 2.0 framework**. Unfortunately, these proposed reforms appear to have gone into cold storage, leaving investors disappointed and uncertain.

Our Hon'ble Prime Minister has consistently emphasized the need for reforms aimed at:

1. Ease of Doing Business; and
2. Less Government, More Governance.

Unfortunately, these objectives have yet to be realized at the operational level within the SEZ ecosystem.

(contd…2)

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TIN:33406160681 dtd 01.01.07. CST: 461477dtd.6.1.87
CIN: U25199KL1974PTC002650



The SEZ Act, 2005, continues to function on the premise that an SEZ is a **"deemed foreign territory" for trade operations**. In practice, however, this has resulted in **excessive regulatory controls.** Government permissions are required for almost every activity, including the movement of goods and even entry and exit procedures. This goes against our Hon'ble Prime Minister's declared goal of **Less Government and more Governance and Ease of Doing business".**

Another disadvantage of SEZ being considèred as Deemed Foreign Country, whenever anti-dumping duties are imposed on imports from foreign countries, supplies from SEZ units to the Domestic Tariff Area (DTA) are treated on the same footing. Similarly, when Quality Control Orders (QCOs) or other non-tariff barriers are introduced to regulate imports, they are equally applied to SEZ units. In the eyes of Customs and other regulatory authorities, SEZ units are often treated as foreign entities despite being established, owned, regulated, and fully governed under Indian laws.

The experience with the Central Drugs Standard Control Organization (CDSCO) illustrates this anomaly. A medical device manufacturer operating in an SEZ must obtain a manufacturing licence from CDSCO after satisfying all regulatory requirements, including inspection of its factory Quality Management System and compliance with ISO 13485 standards. Yet, the same manufacturer is required to obtain a separate **No Objection Certificate (NOC) from CDSCO** every time medical devices are cleared from the SEZ into the Domestic Tariff Area. Testing of samples is often insisted upon before granting the NOC, resulting **in delays ranging from seven to sixty days.** Such procedures are contrary to the Government's objective of promoting Ease of Doing Business. The delays and incidental cost to get NOC makes the Unit non competitive.

Although SEZs were conceived as a single-window clearance mechanism, our experience has been quite the opposite. Our company was required to obtain more than **twenty licences** and statutory approvals, and **the entire process took over two years to complete**. Details can be given to substantiate this. No Foreign country will need such licensing requirements and time to start a business.

We believe that our Hon'ble Prime Minister would be deeply concerned to learn that the principles of **"Ease of Doing Business"** and **"Less Government, More Governance"** have not **effectively percolated to the operational level in the SEZ administration and amendments will be done with no time lost.**

We are therefore encouraged by recent reports that a High-Level Committee has been constituted to examine reforms to the SEZ framework. We sincerely hope that meaningful changes will emerge from the present stakeholders' consultation. (cntd....3)

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We have made a detailed representation and copy of the same will be sent to you for information.

Before concluding, we wish to draw your attention to the condition of the AMRL SEZ. The SEZ comprises approximately **2,500 acres of industrial land and commenced operations in 2008**. However, after nearly **eighteen years, only about 100 acres have been leased. Virtually no meaningful infrastructure development has taken place**. The SEZ has only a handful of operating units and lacks even the basic infrastructure expected of a functional SEZ, example no entry gate, no SEZ administrative building, no Effluent Treatment Plant (ETP), no Sewage Treatment Plant (STP), and street lighting. Non exist and the Government has classified it as an **"Operational SEZ".**

Despite these glaring deficiencies, and notwithstanding that the developer (AMRL/TIDCO) has been under proceedings before the National Company Law Tribunal (NCLT) for more than two years, no action has been taken to cancel the developer's approval. The SEZ continues to be classified as a "functional" SEZ, which does not reflect the ground reality. A visit to AMRL SEZ will give you the correct status.

We once again thank you for providing stakeholders with this valuable opportunity to present their concerns. We sincerely hope that this consultation will lead to concrete reforms that restore the competitiveness and original objectives of India's SEZ programme. Our Hon'ble Prime Minister has also asked Government to speed up on de-regulation and Ease of Doing Business ant the two clips as appeared in the newspaper are enclosed as ready reference.

**Thanking you,**

**Yours faithfully,**

**Ravi Abraham**
**(Mg. Director)**

*Encl.: 1) Newspaper Article articulating our Prime Ministers promise to speed up De-regulation and bring in "Ease of Doing Business"*

***PS:*** *We will send a copy of representation addressed to Dept. of Commerce and Shri.Ajay Bhadoo, Additional Secretary, SEZ, by separate mail.*

ra/ba.

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**SIIPL/PCN/EPCESSEZ-2.0/2026/** **02.07.2026**

To
Shri. Alok Chaturvedi
Director General,
Export Promotion Council for EOUs and SEZs,
Himalaya House, K.G. Marg,
New Delhi -110001 (email id dg@epces.in)

**Sub: Recommendations for a Simplified, Three-Pillar Export framework**
**Ref: Stakeholders consultation meeting dated 30.06.2026 on harmonization of the prevalent export promotion schemes.**

---

At the outset, we have to thank you very much for arranging a wonderful stakeholder consultative exercise on export promotion schemes including SEZ reforms.

It was well attended and we are indeed happy for the very positive responses of all the participants and Government officials especially the Hon'ble Commerce Secretary.

Based on our understanding of the facts and position, we forward herewith our suggestions and views on the subject for your kind perusal. Hope you find it useful.

**Executive Summary**

**Streamlined Foreign Trade Policy**

- SEZ HUBS
  - Manufacturing vs Service SEZ
  - Trade with DTA
- MOOWR
  - Seamless EOU Integration
  - Policy Gaps
- UNIFIED DTA -Duty neutrilisation
  - Single mechanism to replace multiple EP schemes
  - Duty entitlement based on exports

With kind regards,
For: **Serum Institute of India Pvt. Ltd.**

**P.C. Nambiar**
**Director -Group Exim**

**Pillar 1- SEZ Hubs**

Special Economic Zones (SEZs), introduced in 2006 is a success story for the nation. It has resulted into large investments, created substantial employment opportunities and achieved accelerated foreign exchange earnings. The SEZ Hubs are the cluster of units, predominately developed by the Private sector providing common infrastructure is the main driving force of the scheme.

**Core demands and expectation**

1. Provide consistent and stable policy for long term planning by the developer as well as the units.

2. Having developed large capacity in anticipation of a long-term policy, many a times the capacity is underutilised. Since it is an important national resource, the capacities can be used to supplement domestic demands in addition to meeting export targets. Safeguard of the relevant duties and cesses can be in built.

3. Sale of goods manufactured in SEZs into DTA on a duty forgone basis by amending Notification No.11/2026-Cus, dated 31.03.2026 to read as "*Goods manufactured inside a notified Manufacturing SEZ, when cleared to the DTA, shall be exempt from so much of the Basic Customs Duty (BCD) as is in excess of the duty calculated on the value of imported inputs actually consumed in the production of such finished goods.*"

4. As the intricacies involved in manufacturing SEZs and Services SEZs are different, separate guidelines for manufacturing SEZs and Service SEZs is needed with specific requirements being addressed. Currently the services provided by SEZ Service Unit to DTA unit requires the payment to be made in foreign currency. As the transaction between DTA and SEZ service unit does not give any opportunity to earn additional foreign exchange from external resources, payment for the service rendered by SEZ service unit to DTA unit be permitted in Indian Rupees.

**Pillar 2- The streamlining of MOOWR and EOU Schemes**

Core demands and expectation

As the functioning of MOOWR and EOU are identical, with variation of time frame allowed for operation with very little difference in the procedure. Amalgamation of the both the schemes be considered by providing the depreciation on the capital goods. The procedure laid down under EOU scheme for domestic sale be extended to MOOWR as a uniform procedure to bring parity.

**Conversion of Export Oriented Units (EOUs) in to MOOWR**: EOUs are choked by legacy regulations. EOUs must export their entire production and maintain a Positive Net Foreign Exchange (NFE). EOUs get duty exemptions, but they are closely monitored to ensure they meet their export targets. EOU licenses are valid for a specific period and must be renewed. EOUs deal with day-to-day Customs monitoring and strict input-output norms dictated by the Foreign Trade Policy (FTP)

Whereas, MOOWR has zero minimum export requirements, offers duty deferment indefinitely until the goods leave the facility to be sold in India. If the final goods are exported, the duty is completely waived. The MOOWR offers streamlined, digital compliance with no day-to-day presence of Customs officers. The procedures governing the MOOWR Scheme is found to be simple and can be made applicable to EOUs. This necessitates the amalgamation of the EOU Scheme into the MOOWR Scheme as both the schemes are achieving the same objectives.

Currently if an EOU wants to migrate to MOOWR, they must officially "exit" the EOU scheme. This requires obtaining a No Objection Certificate (NOC) from the EOU Development Commissioner and notifying Customs authorities. The unit must also file a final Ex-Bond Bill of Entry and pay the applicable duties and taxes to officially exit their EOU operations and migrate into the new system.

**Recommendations**

**Seamless EOU Migration**: Provide a tax-neutral digital migration portal where legacy Export Oriented Units (EOUs) can swap their active B-17 Customs bonds for a standard MOOWR bond, carrying over raw material ledgers without liquidating or re-assessing customs duties or closing their operations.

## Pillar 3- Scheme for Consolidation for Domestic Tariff Area (DTA) Exporters

The basic objectives of introducing various schemes are to neutralise the customs duty impact on imported inputs and capital goods engaged in export production.

The current AA, DFIA, EPCG schemes, were introduced to address specific issues such as to make available duty-free imported inputs, to replenish the imported inputs used in export product. These schemes are designed to address the typical unforeseen situations, faced by incidental exporters. They use these schemes depending upon the individual requirements. In cases of post export scrutiny of imported inputs there seems to be a distrust. This area needs to be addressed.

### Recommendation

In order to give flexibility in a dynamic economic situation, a revolutionary approach is required to provide flexible facilities while safeguarding the revenue of the Government of India. It is a fact that we are now equipped with digital platforms with AI to trace input-output details. It is therefore suggested that it is high time that we get a **duty-free entitlement of 10%** calculated on past export performance or on export forecast for the beginners, on actual user condition covering the inputs and capital goods required for fulfilment of export obligation.

Such a **Duty free entitlement certificate** can be awarded with a prescribed export obligation monitored digitally on quarterly basis. The validity of such a certificate could be **fifteen months** from the date of issue and unused balance, if any, in the certificate at the time of its expiry would lapse. The certificate holder can file their import list in the system digitally before the import which will help the monitoring the use of the imported inputs.

Every exporter should be allowed to apply for such certificate on an annual basis.

### 1% Financial Interest Subsidy to replace the RoDTEP and RoSCTL

The objective of RoDTEP and RoSCTL is to compensate various local taxes and cesses other than those covered by Customs and GST regulations, incurred by exporters in export production and distribution.

Ascertaining such local taxes and cesses becomes difficult due to variation in such taxes and cess charged by different local and state governments. This needs to be simplified while remaining WTO compatible. We therefore suggest that 1% of the pre-shipment / post-shipment credit amount can be given as interest subvention to compensate such local taxes and cesses.

Chairman Navnit Choudhary
Secretary Amogh Patankar
Treasurer Anil Maheshwari
Co-ordinator Vishal Saraiya
Committee Members Ashish Srivastav
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2nd July 2026

To
Shri. Ajay Bhadoo
Additional Secretary – Commerce
Ministry of Commerce & Industry,
Government of India,
Vanijya Bhavan, New Delhi - 110011

**Sub: Proposal for Phase-II Reforms of SEZ Policy**

Sir,

We applaud the initiative of MOC for the pro-active steps to facilitate the operations of units and also re-vitalize the SEZ scheme of GOI. We also understand that based on discussions pertaining to Baba Kalyani Committee Report, Desh Bill & World Free Zone SEZ Plus Model Report Phase-II reforms for SEZ Policy have been undertaken, which is highly appreciable. It was informed that, Inter-Ministerial consultations and deliberations with all stakeholders including the State Governments is underway for consolidating the changes sought and confirming the key modifications to the existing program. We are confident that, the GOI would definitely take necessary steps to amend relevant provisions of the SEZ Act 2005 and SEZ Rules 2006, which would enable implementation of this new and modified SEZ Policy, for rejuvenation of existing locations and creation of new destinations.

Moreover, to address the concerns of the IT/ITES SEZs, which form majority of notified and operational SEZs and also account for lion's share of forex earnings and employment generation; co-sharing of BUA in Processing Area through amendment of SEZ Rules by MOC&I was done vide Rule 11(B) for NPA conversion. We remain obliged for this far-sighted initiative and the practical approach adopted for modification of the existing regulations.

With reference to the long-outstanding demands of the Services (IT/ITES) sector pertaining to Ease of Doing Business (EODB) within SEZs, the requisite changes envisaged for SEZ Policy, are enumerated below –

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***Suggestion 1) – Allowing sale of services by SEZ units in Domestic Tariff Area to be billed in INR.***

***(Removal of Clause 2(z)(iii) of Chapter I of SEZ Act 2005 & Clause 53(A)(k) of Chapter VI of SEZ Rules 2006)***

DTA sale for goods in INR is permitted. Such transaction is considered as imports with full levy of applicable duty. However, services are debarred from such deals. RBI embargo for foreign currency payment for local business has permanently closed such income opportunities for service industry.

The premise for disallowing INR invoicing by authorities was owing to the perceived loss of tax. Import of Services do not attract Custom Duty and its components. However, CVD (component of Excise Duty) was applicable for such transactions, which perhaps was not recoverable earlier.

However, the GST statute enforced in 2017 ensured that Excise Duty and its components are subsumed within it. Thus, for imports, IGST was made applicable. Therefore, any services sold to DTA entity by SEZ unit (i.e. imported by local unit) is liable for IGST, and thereby recovery of concerned tax.

For the above contract, there is NO revenue loss to the exchequer, since DTA transactional revenue of SEZ units is "fully taxable". By permitting DTA business in INR for services units of SEZs, MOF would increase its revenue collections owing to the manifold increase in local sale-transactions of SEZ units, and simultaneously maintaining overseas clients by them. Besides, it promotes the GOI vision for enabling maximum payments in INR for the global trade. Therefore, it would be a 'Win-Win' situation for the Government and SEZ Units.

***Suggestion 2) – Permission for DTA units to operate from Non-Processing Area outside the Processing Area.***

***(Modification of Clause 6(c) of Chapter II of SEZ Act 2005)***

Erstwhile SEZs were established with large formats. Subsequently, the footprints were substantially reduced through regulatory amendments. Nevertheless, the SEZs notified earlier retained their large sizes and thereby saddled with vacant land phenomenon. This feature was most conspicuous for IT/ITES SEZs, where the qualifying parameter was changed from Land Area to Built-Up Area.

Earlier petitions for industry-based usage of Non-Processing Area were denied on the pretext that it was identified only for creation of social infrastructure of the SEZ.

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However, presently, domestic units are permitted to operate from Non-Processing Area carved within Built-Up premises of Processing Area of IT/ITES SEZs under Rule 11(B).
Therefore, it is imperative that allowing domestic units to function from Non-Processing Area outside the Processing Area is reasonable and justified.

Besides, de-notification of this vacant land area (NPA) has impediments, which are being avoided.

a) In the absence of State-specific SEZs Act for Maharashtra (a major destination for SEZs), the process of partial de-notification is very cumbersome and consumes unprecedented period.
b) Development Control Regulations of Local Governing Bodies create hurdles for utilization of the carved-out land post its de-notification.

External infrastructure created for the SEZ would be better utilized, if NPA is permitted for occupancy by domestic units. E.g. Electric sub-station would have optimal usage if clients such as Data Centres are allowed to operate from NPA. Transportation facilities such as Railway Station / Bus Depot set-up in the neighbourhood would also gain from additional consumers of domestic entities from NPA.

Besides, by allowing DTA units to operate from NPA, it is being used for "industrial" purpose and the said land is not being exploited for other purposes. Also, the Government Authorities (both Central & State) stand to gain (through taxation) by the enhanced economic activities within NPA and thereby creation of job opportunities (both parameters being SEZ objectives)
The above suggestion is 'Revenue-Neutral'.

***Suggestion 3)*** ***– Non-Applicability of Rule 11A(3)(c) of Dual Use NPA for IT SEZs.***

***(Removal of Sub-Rule 3(c) under Rule 11A pertaining to Bifurcation of Non-Processing Area)***

The IT SEZs are small in size in terms of plot-area and the Dual Use Non-Processing Area (NPA-2) is fully tax compliant. Owing to the challenges of local Development Control Regulations, condition of plot allotment and land topography, creation of social infrastructure within specified limits of Rule 11A(3)(c) is highly impossible.

In the absence of any revenue leakage (social infrastructure development is fully-tax compliant) micro-management of NPA is unwarranted; and therefore, the doctrine of 'Ease of Doing Business' needs to be accorded priority. Restrictions of NPA-2 usage notified vide G.S.R. 5(E) dated 02/01/2015 should not apply to IT SEZs.

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The norms were basically created by Delhi Development Authority for itself. Nevertheless, the same guidelines were unreasonably made applicable to SEZs on Pan-India basis; and hence should be done away with.

***Operational Suggestion* – Digitization of Processes and Associated Operational Documents.**

***(Integration of various electronic systems used by SEZ Authorities)***

The electronic systems of "SEZ On-Line" (under the control of MOC), "ICE-GATE" (under the control of Customs), "GSTN" (under the control of GST) and "SOFTEX" (under the control of RBI) need to be **Integrated** for seamless transactions (operations & monitoring), which would minimize manual intervention and further the cause of Ease of Doing Business.

As the trade-facilitating nodal department for the industry (including the service sector), we seek the support of MOC to champion our justified causes and ensure implementation of the above suggestions. A separate summary for actions needed is annexed hereto.

We are confident that MOC would advocate our cause with other departments of GOI on the aforesaid matters; enabling appropriate & necessary changes to SEZ Policy.

We remain obliged to MOC and EPCES for this valuable cooperation.

With Warm Regards,
For MASID

ARPatankar

Authorised Signatory

# Changes to SEZ Policy (MOC meeting on 30/06/2026)

## 1. *Modifications to SEZ Act 2005 & SEZ Rules 2006 –*

**A) Permission for SEZ units to perform Rupee Denominated business in DTA with respect to services.** ***[ Abrogations required for – Clause 2(z)(iii) of Chapter I of SEZ Act 2005 & Clause 53(A)(k) of Chapter VI of SEZ Rules 2006 ]***

**Elimination of the respective provisions to enable Rupee-based transactions within Indian Territory for 'services', which shall be equitable with the regulations practiced for similar transactions with 'goods'.**

**IGST levy may be collected by GOI in accordance to import categorization.**

**B) Permission for DTA units to operate from Non-Processing Area outside the Processing Area.** ***[ Replacement required for – Clause 6(c) of Chapter II of SEZ Act 2005 ]***

**Rule 11(B) permits DTA units to operate from Non-processing Area carved within Processing Area of IT SEZs. Similarly, establishment of DTA units on land area identified as NPA be permitted.**

**New Provision to include social infrastructure along with industrial units to be part of Non-Processing Area.**

**Both Changes necessary to the existing SEZ Policy for Services Sector (e.g. IT/ITES) requiring Parliament Consent**

**Amendments introduced through separate Bill in Parliament**

**OR**

**Part of Finance Bill 2027 tabled in the Parliament.**

## 2. *Amendments to SEZ Norms –*

**C) Flexibility of Utilization of Non-Processing Area (Dual Usage) by developers for creation of social infrastructure.** ***[ Abrogation of Sub rule 3(c) of Notification G.S.R.5(E) dated 02/01/2015 under F. No. C.1/2/2014-SEZ ] [ Removal of Sub rule 3(c) of Rule 11A of SEZ Rules 2006 ]***

**Land usage criteria specified in the notification is infructuous for small-size SEZs – especially IT/ITES SEZs notified in earlier period.**

**Relaxation may be granted for individual projects (case-to-case basis) with certain criteria for needful infrastructure development.**

**Modification to the existing SEZ Notification issued by MOC&I especially for (IT/ITES sector)**

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SIIPL/PCN/EPCES/SEZ/2.0/ 73 22.June 2026

Shri. Alok Chaturvedi
DG, SEZEPC
(on email dg@sezepc.in
& ddg@sezepc.in)

**Subject:- Representation for SEZ 2.0 Policy**

Sir,
With reference to the above subject and your communication dated 17.6.2026, we M/s. Serum Institute of Indi Pvt. Ltd., Pune wish to submit our suggestions and views as under:-

**1. Feedback on existing Schemes—SEZ**
It should not come to anyone's surprise that India's SEZ policy has significantly contributed to exports, employment and foreign investment and has thus achieved the policy intent.

However, over the passage of time from its inception in 2005, fatigue seems to have set in and the existing framework is less attractive, especially when compared to available alternative schemes viz MOOWR, EOU and even normal DTA manufacturing.

The call and need of the time are that the objectives of SEZ 2.0 should be ingrained to include primarily:
- Promote exports.
- Encourage import substitution.
- Improve manufacturing competitiveness.
- Maximize utilization of existing SEZ capacities.
- Align Indian SEZs with global best practices.

**2. Harmonisation of Export Promotion Schemes**
- At present, all the Export Promotion Schemes, viz., SEZ, EOU, MOOWR, EPCG, Advance Authorization, DFIA, operate under different compliance structures.
- This creates Regulatory arbitrage, Litigation, Higher compliance costs, Distorted investment decisions.
- Thus, it is required that a Unified Manufacturing Promotion Framework encompassing a Common digital platform, Common input-output norms, Common customs procedures, Common record formats, Easy migration between schemes, is permitted.

- Out of all these, the need of the hour is the last one that is **Easy migration between schemes, on as is where is basis.**
- An EOU unit should be allowed to enter into the SEZ scheme and an SEZ unit should be allowed to enter the EOU Scheme seamlessly without disruption in the manufacturing process. This is absolutely essential for the units who have been working in the respective schemes for the last 10 years.
- With the advent of the new Income Section 115BAA (22% Rate) which is available to all domestic companies that do not claim specific tax incentives or deductions, the tax rate effectively comes to 25.168% with surcharge and cess.
- This makes the SEZ Scheme totally unfeasible and that too when the sunset clause has been enforced 5 years back.
- Consequently, easy migration into other Export Promotion Schemes of choice, on as is where is basis, should be introduced and allowed.

**3. Reforms in SEZ Framework**

a. *The most immediate and a very paramount reform in the existing SEZ Framework required is that of permitting of the '**Sale of finished goods by SEZ's in DTA on a Duty Foregone Basis'**, similar to EOU/MOOWR schemes.*

b. Currently DTA clearances from SEZs are often burdened with customs duties as if goods are imported. This makes:

- Domestic sales commercially unviable
- Capacity underutilized
- Investments inefficient

c. The only way ahead is permitting DTA clearances by SEZ units by paying only:

- Duty foregone on imported inputs actually consumed with GST applicable on domestic supplies to have parity in taxation.

d. Duty foregone methodology for DTA clearances should be restricted strictly to Imported raw materials and Imported consumables actually consumed in manufacture. No duty should apply on Indigenous value addition, R&D, Labour, Utilities, Intellectual property and Manufacturing margins.

e. This will mirror the schemes EOU and MOOWR and lead to immense benefits including amongst others like Better Capacity Utilization.

f. Many pharmaceutical and vaccine facilities operate below capacity. Such Duty Foregone Basis DTA sales would actually Increase production, lower fixed costs and Improve competitiveness

g. Another massive benefit accruing will be that of Import Substitution leading to a situation where instead of importing finished products, India can utilize existing SEZ capacities to meet its domestic needs.

h. These augurs well for Improved Tax Collection as the Exchequer will earn Customs duty foregone portion on imported inputs along with the GST on DTA sales.

i. This also supports domestic manufacturing. Domestic manufacturing concerns regarding competition are unfounded as this will not bestow any Unfair Advantage to the SEZ units, as they will anyways Reverse customs benefits availed and will necessarily pay GST.

**4. Other Reforms in SEZ Framework:**

a. Job Work Without Export Linkage—The present restrictions limit utilization of installed capacities. What needs to be allowed is SEZ's undertaking Job work for DTA units, covering Contract manufacturing, Testing, Packaging, Sterilization, Analytical services, etc. without the mandatory export linkage.

b. Simplification of NFE Requirements. NFE requirements are Complex and Compliance intensive. Meeting the policy intent should only be the criteria. NFE requirement could be abolished altogether. In case this is perceived as a huge sweeping reform, computation of NFE should be on a simplified annual basis with fewer exclusions and adjustments.

c. Capital Goods Provisions. In the cases of Re-export abroad of Capital Goods for Repairs, refurbishment and upgradation and it is seen that these have become Obsolete, beyond repair or even Scrapped, a simple closure mechanism should be allowed.

d. Liberalized SEZ Exit provisions. At the time of SEZ exit, the Depreciation norms should be liberalized and the Residual duty should be reasonable. Even the buildings and other infrastructure should fall in the ambit of the Depreciation norms.

e. Ease of Doing Business. The need is for the introduction of Self-Certification replacing routine approvals. There can always be Post-audit verification, Risk-Based Audits and Audit only high-risk cases.

j. It is well documented that Chinese Special Economic Zones enjoy Extensive domestic market access, Simplified customs procedures and Manufacturing

flexibility, and resultantly Domestic sales are not treated as some kind of a negative activity.

Even in the UAE, Free Zones permit domestic sales through straightforward customs procedures.

Whereas, United States Foreign Trade Zones permit Duty deferral, Manufacturing flexibility and also Domestic clearances under simplified frameworks.

India should adopt similar models which are in tune with the internationally accepted principles.

**Final submissions:-**

- SEZs should not be viewed only as export engines. The aim should be to make them Manufacturing hubs and Strategic production centres for Vaccines, Pharmaceuticals, Medical devices, Electronics, Semiconductors and Renewable energy equipment to name a few.
- Investors require long-term certainty including Regulatory Stability.
- This can be achieved by Grandfathering all benefits for existing units and ensuring that the Policy changes should apply prospectively.
- For Vaccine Sector SEZ as ours, the policy should encompass Faster approvals for Samples, Reference standards, Cell banks, etc.
- Introduction of Simplified destruction procedures for Expired materials, Biological waste and Rejected batches.

**Conclusion**

The SEZ 2.0 framework should transform Indian SEZs from purely export-oriented enclaves into globally competitive manufacturing and innovation hubs.

The single most impactful reform would be permitting DTA sales on a duty foregone basis, aligned with EOU and MOOWR schemes. This would Encourage import substitution, improve capacity utilization, Promote Make in India, increase government revenues, strengthen strategic sectors such as vaccines and pharmaceuticals while maintaining a level playing field for domestic industry.

In fact, these reforms will promote Healthy Competition leading to Better quality, Lower prices and Improved productivity, which will go a long way in benefiting Indian consumers.

Requesting the inclusion of the above mentioned in the ensuing stakeholder consultation on 30th June, 2026.

The following officials from Serum Institute of India Pvt. Ltd. will be attending the stake holder meeting at Vigyan Bhavan in person: -

1. P.C. Nambiar 98230 90441 pcnambiar@seruminstitute.com
2. Harish Radhakrishnan 98230 16726 harish@seruminstitute.com
3. Bhupendra Parmar 7069035009 bhupendra.parmar@seruminstitute.com

Best Regards,

Harish Radhakrishnan
Dy. Director - Group Exim
Serum Institute of India Pvt. Ltd.

**Feedback about the existing schemes – SEZs, EOUs, MOOWR, Advance Authorisation, Export Promotion Capital Goods, Duty Free Import Authorisation**

## A. KEY ISSUES AND CHALLENGES FACED BY THE INDUSTRY WITH REGARD TO THE FOLLOWING SCHEMES:

### 1. SEZ Scheme

- Lack of policy stability and a clear roadmap beyond the sunset date for tax incentives.
- Complex customs and compliance procedures
- Issues regarding Net Foreign Exchange (NFE) and greater operational flexibility.
- Procedure for seamless domestic procurement and inter-unit transfers with minimal procedural requirements.
- Alignment of SEZ procedures with the objectives of the proposed Development of Enterprise and Service Hubs (DESH) framework.

### 2. EOU Scheme

- Ambiguity regarding the levy of interest on customs duties during DTA clearances where no specific provision exists under the applicable notification or the FTP.
- Lack of procedures for debonding and conversion to other schemes such as MOOWR or the Domestic Tariff Area (DTA).
- Duplication in reporting requirements across Customs, DGFT and GST authorities.
- Absence of single-window digital compliance mechanism.

### 3. MOOWR Scheme

- Clarify the scope of trading, merchanting and purchase-and-sale activities under the scheme.
- Simplify the licensing process and reduce documentation requirements.
- Permit greater operational flexibility for warehousing, value addition and redistribution.
- Issue comprehensive FAQs and Standard Operating Procedures (SOPs) to ensure uniform implementation by Customs formations.

### 4. Advance Authorisation (AA)

- Time taken for issuance and amendment of authorisations.
- Standard Input Output Norms (SION) and lack of flexibility under self-declaration norms.
- Delay in closure and redemption of authorisations.
- Absence of coordination between DGFT and Customs leading to procedural delays.

### 5. Export Promotion Capital Goods (EPCG) Scheme

- Rationalisation of export obligation requirements in view of changing global trade conditions.
- Installation certification and export obligation monitoring.
- Flexibility for clubbing, extension and regularisation of export obligations.
- Digitisation of the complete redemption process.

### 6. Duty Free Import Authorisation (DFIA)

- Cumbersome transferability provisions and documentation.
- Delays in issuance and closure of authorisations.
- Restrictive input-output norms do not reflect current manufacturing practices.

- Absence of integration between DGFT and Customs IT systems leading to delays in validation

**Common Suggestions Across All Schemes**

- Develop a fully integrated digital platform linking Customs, GSTN, DGFT and other regulatory agencies.
- Reduce repetitive documentation and multiple audits by adopting risk-based compliance.
- Ensure uniform interpretation and implementation of policies across all Customs formations.
- Issue periodic clarifications and FAQs to minimise litigation.
- Establish a structured grievance redressal mechanism with defined timelines.
- Conduct regular stakeholder consultations before introducing significant policy changes.

**NEED FOR HARMONISATION / MODIFICATION OF EXISTING SCHEMES AND FEATURES TO BE INCLUDED IN FOLLOWING SCHEMES (SEZ, MOOWR, EOU)**

**Suggestions:**

***1. Rationalisation of Multiple Export Promotion Schemes***

- The coexistence of SEZ, EOU, MOOWR, AA, EPCG and DFIA has resulted in overlapping benefits and compliance requirements.
- A common policy framework should be developed with scheme-specific incentives based on business requirements rather than procedural differences.

***2. Uniform Customs Procedures***

- Customs procedures, documentation and audit practices should be standardised across all schemes.
- The same transaction should not be subjected to different interpretations merely because the exporter operates under a different scheme.

***3. Single Digital Compliance Platform***

- Integrate Customs, DGFT, GSTN and SEZ online systems into a common portal.
- Eliminate repetitive filing of similar information before multiple authorities.

***4. Free Migration Between Schemes***

- Allow seamless migration from EOU to MOOWR, SEZ to MOOWR, or vice versa without unnecessary duty disputes or repeated approvals.
- Preserve accumulated export obligations and compliance history during migration.

***5. Harmonisation of Bonding and Warehousing Provisions***

- Bond execution, bank guarantee requirements and warehousing procedures should be uniform across EOU, SEZ and MOOWR.
- Avoid different compliance requirements for substantially similar operations.

***6. Common Valuation and Duty Principles***

- Adopt uniform principles for valuation, duty payment, interest liability and exemptions.

- Conflicting interpretations by different Customs formations should be avoided through centralised clarifications.

***7. Removal of Duplication***

- Similar records (stock registers, import registers, export registers and monthly/quarterly returns) should be consolidated into one digital compliance system.
- One inspection or audit by a nodal authority should suffice instead of multiple departmental verifications.

***8. Level Playing Field***

- Exporters undertaking similar activities should not choose a scheme solely because it offers simpler procedures or lower compliance.
- Policy should ensure that business decisions are driven by commercial considerations rather than regulatory arbitrage.

***9. Harmonised Export Obligation Framework***

- Export obligation, Net Foreign Exchange (NFE) requirements and monitoring mechanisms should be rationalised wherever possible.
- Similar products and industries should not be governed by substantially different compliance standards.

***10. Uniform Interpretation by Field Formations***

- Issue comprehensive SOPs and FAQs to ensure consistent implementation across all Customs Commissionerate.
- Introduce a mechanism for binding clarifications to reduce litigation.

**<u>Specific Areas Where One Scheme Appears Better Than Another</u>**

| Issue | Better Scheme | Suggested Harmonisation |
|---|---|---|
| Duty deferment for domestic manufacturing | MOOWR | Extend similar operational flexibility to EOUs where feasible. |
| Manufacturing for exports | SEZ/EOU | Simplify compliance to make them as business-friendly as MOOWR. |
| Capital goods import | EPCG/MOOWR | Harmonise benefits and reduce overlapping conditions. |
| Raw material imports | AA/DFIA/EOU/SEZ | Introduce common procedures for duty exemption and redemption. |
| Warehousing | MOOWR | Permit similar flexibility under EOUs where operationally justified. |
| Compliance burden | MOOWR | Simplify compliance under SEZs and EOUs to comparable levels. |

**Overall Recommendation**

Rather than maintaining multiple schemes with overlapping objectives and different compliance requirements, the Government may consider a **common export promotion framework** with:

- A **single digital compliance system**,
- **Uniform Customs procedures**,
- **Seamless migration between schemes**,
- **Harmonised duty and interest provisions**, and
- **Scheme-specific incentives** based only on the nature of business (manufacturing, trading, warehousing or services), not on procedural differences.

This would reduce compliance costs, improve ease of doing business, and allow exporters to select a scheme based on operational efficiency rather than regulatory advantages.

***3.1 Supplies of Finished Goods from SEZ to DTA on the Pattern of EOU/MOOWR (Duty Foregone Basis)***

**Recommendation**

Permit SEZ units to clear finished goods into the DTA by **reversing only the duty foregone on imported inputs actually consumed in the manufacture of such goods**, similar to the mechanism available under the EOU and MOOWR schemes.

**Rationale**

- The present requirement of payment of customs duties as if the goods were imported into India significantly reduces the competitiveness of SEZ manufacturers.
- This creates an uneven playing field with EOUs and MOOWR units.
- Duty should be linked only to the actual imported inputs used, not on the entire assessable value of the finished goods.

**Expected Benefits**

- Encourages domestic manufacturing.
- Better capacity utilisation.
- Lower cost of production.
- Improved investment attractiveness of SEZs.
- Reduction in idle manufacturing capacity.

***3.1.1 Global Practices (China, USA, Indonesia etc.)***

International SEZs generally provide greater flexibility than India.

**China**

- Domestic sales are generally permitted subject to payment of applicable taxes and duties.
- Manufacturing flexibility is significantly higher.
- Less procedural intervention.

**United States (Foreign Trade Zones)**

- Duty is generally payable only when goods enter the domestic market.

- Manufacturers may choose the lower applicable duty where permitted.
- Simple compliance framework.

**Indonesia**

- Domestic sales are permitted within prescribed limits.
- Focus is on promoting manufacturing rather than restricting domestic sales.

**UAE/Jebel Ali**

- Free Zones primarily encourage exports but domestic sales are allowed after payment of applicable duties with minimal procedural hurdles.

**Learning for India**

- Focus should shift from restrictive controls to facilitation.
- Compliance should become risk-based rather than approval-based.

***3.1.2 Adverse Impact on DTA Manufacturers***

The impact is expected to be minimal because:

- DTA manufacturers already compete with imported goods.
- GST ensures tax neutrality.
- Domestic sales by SEZ units would remain subject to applicable duties.
- Increased competition will improve manufacturing efficiency.
- Better utilisation of SEZ capacity may actually strengthen domestic supply chains.

Safeguards may be introduced for sensitive sectors if required.

***3.2 INR Payment by DTA Entities for Services Supplied by SEZ Units***

**Recommendation**

Permit SEZ service providers to receive payment in **Indian Rupees** from DTA customers without affecting SEZ benefits.

**Reasons**

- Most domestic customers transact only in INR.
- Foreign currency payment requirements discourage utilisation of SEZ services.
- RBI regulations already recognise several legitimate INR transactions.

This will especially benefit

- IT services
- Engineering services
- R&D
- Testing laboratories
- Design services
- Shared Service Centres

### *3.3 Impact of FTAs on SEZs*

**Issues**

- FTA partner countries increasingly insist on Rules of Origin.
- SEZ-origin goods sometimes receive less favourable treatment.
- Indian SEZ exports lose competitiveness.

**Suggestions**

- Align SEZ policies with modern Rules of Origin.
- Improve value-addition norms.
- Negotiate explicit recognition of Indian SEZ exports in future FTAs.
- Simplify certification procedures.

### *3.4 Making SEZs Effective for Import Substitution*

Presently SEZs primarily promote exports.

Government may also encourage

- Electronics
- Defence
- Medical devices
- Semiconductor ecosystem
- Solar equipment
- Critical minerals
- Aerospace components

through

- Domestic procurement incentives
- Long-term procurement contracts
- Government procurement preference
- Technology partnerships

### *3.5 Job Work for DTA Units Without Export Linkage*

**Recommendation**

Allow SEZ/EOU units to undertake job work for DTA manufacturers irrespective of whether exports are ultimately made.

**Benefits**

- Better utilisation of SEZ capacity.
- Technology transfer.
- MSME support.
- Higher employment.
- Reduced manufacturing cost.

Suitable accounting and GST compliance can adequately safeguard revenue.

**3.6 International Best Practices Missing in Indian SEZs**

India should introduce:

- Plug-and-play manufacturing infrastructure.
- Truly single-window clearances.
- Self-certification and trusted trader programmes.
- Risk-based inspections.
- Integrated digital compliance.
- Stable long-term policy.
- Flexible labour regulations.
- Liberal domestic sales.
- Common utility infrastructure.
- Faster dispute resolution.

***3.7 FTWZ Reforms***

Suggestions include

- Permit wider trading activities.
- Allow e-commerce fulfilment.
- Encourage regional distribution hubs.
- Simplify customs procedures.
- Promote value-added logistics.
- Allow greater integration with GIFT City and multimodal logistics parks.
- Encourage re-export businesses.

***3.8 Changes Required in SEZ Act and Rules***

Major reforms may include

- Simplify approval procedures.
- Reduce requirement of Approval Committee permissions.
- Introduce faceless digital approvals.
- Rationalise Net Foreign Exchange (NFE) monitoring.
- Permit easier exit and de-notification.
- Harmonise provisions with GST.
- Allow automatic conversion between SEZ, EOU and MOOWR.
- Simplify Rule 47 provisions relating to DTA sales.
- Reduce procedural compliances under the SEZ Rules.

***3.9 Ease of Doing Business Issues***

Industry seeks

- Single online compliance portal.
- Elimination of duplicate reporting.
- Uniform customs practices across Commissionerates.
- Time-bound approvals.
- Reduced physical inspections.
- Digital bonding.

- Faster refund processing.
- Online disposal of applications.
- Standard operating procedures for all Customs formations.
- Advance rulings on operational issues.

***3.10 Other Relevant Matters***

Additional suggestions may include:

- Introduce a modern **Development of Enterprise and Service Hubs (DESH)** framework with legal certainty.
- Ensure policy stability by avoiding frequent amendments.
- Provide long-term visibility on incentives to encourage investment.
- Create a national SEZ dispute resolution mechanism for faster resolution of operational issues.
- Promote green SEZs through incentives for renewable energy, waste recycling and sustainable manufacturing.
- Encourage greater participation of MSMEs through simplified entry norms and shared infrastructure.
- Strengthen digital integration among Customs, GSTN, DGFT and SEZ Online to create a seamless compliance ecosystem.

These reforms would help reposition Indian SEZs as globally competitive manufacturing and services hubs while improving ease of doing business, reducing compliance costs and attracting higher levels of domestic and foreign investment.

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**Levy of interest on reversal of BCD on DTA sales by EOUs**

**Issue:**

Certain Customs formations are insisting upon payment of interest on Basic Customs Duty (BCD) payable on Domestic Tariff Area (DTA) clearances by EOUs, calculating such interest from the date of import/Bill of Entry.

However, neither the provisions of the Foreign Trade Policy nor Notification No. 52/2003-Customs dated 31.03.2003 provide for recovery of interest from the date of import merely because imported inputs are subsequently used in goods cleared into DTA.

The customs duty liability on inputs utilized in DTA clearances arises only at the time of DTA clearance in accordance with the applicable EOU provisions. In the absence of any specific statutory provision, demand of interest from the date of Bill of Entry results in an unintended and excessive financial burden on EOUs.

**Industry Concern:**

Different Customs Commissionerate are adopting divergent practices, leading to uncertainty and avoidable litigation. While some formations restrict recovery to duty payable at the time of DTA clearance, others seek interest from the date of import, despite the absence of an explicit legal provision.

**Recommendation:**

1. The Department of Commerce may take up the matter with CBIC for issuance of a uniform clarification regarding the point of commencement of interest liability in respect of DTA clearances by EOUs.
2. A suitable clarification may be incorporated in the EOU scheme provisions, Customs notifications and operating procedures to eliminate interpretational disputes.
3. No interest should be demanded unless specifically provided under the relevant statutory provisions and notifications.
4. Uniform implementation across all Customs formations should be ensured to avoid unnecessary litigation and improve Ease of Doing Business.

**Expected Outcome:**

A clear and uniform policy interpretation will reduce disputes, improve predictability for EOUs, lower compliance costs and support the objective of harmonisation of export promotion schemes.

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**ROSCTL Incentive to EOUs**

At present, benefits under the Rebate of State and Central Taxes and Levies (RoSCTL) scheme are available to eligible exports from the Domestic Tariff Area (DTA), while exports undertaken by 100% Export Oriented Units (EOUs) are generally not eligible for similar treatment.

Since EOUs are established with the primary objective of promoting exports and earning foreign exchange, denial of RoSCTL benefits creates an uneven playing field vis-à-vis other exporter. The embedded state and local taxes, duties and levies incurred by EOUs also remain unrebated, adversely affecting their international competitiveness.

It is therefore recommended that RoSCTL benefits be extended to exports made by 100% EOUs on the same basis as other eligible exporters. This would:

1. Ensure parity among different export promotion schemes.
2. Improve the global competitiveness of EOU exports.
3. Support the objective of tax-neutral exports.
4. Reduce distortions arising from the existence of multiple export promotion schemes.
5. Encourage investment, employment generation and export growth.

The proposed reform would be consistent with the broader objective of harmonisation of export promotion schemes and creation of a level playing field among SEZs, EOUs, MOOWR and DTA exporters.

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6th March 2026

To

**Shri. Ajay Bhadoo**
**Additional Secretary**

Department of Commerce
Ministry of Commerce and Industry
Government of India, New Delhi

Respected Sir,

**Sub: Representation on operational challenges and suggested reforms in Special Economic Zone (SEZ) regulations.**

**1. Background:**

1.1. The Special Economic Zones Act, 2005 ("SEZ Act") and the Special Economic Zones Rules, 2006 ("SEZ Rules") were enacted with the stated objective of promoting exports, attracting investment, generating employment, and integrating India into global value chains by creating duty-free enclaves with world-class infrastructure and a facilitative regulatory environment.

1.2. Special Economic Zones (SEZs) were established as duty-free enclaves with a distinct fiscal and regulatory regime to promote exports and attract investment and was originally conceived with a strong focus on export promotion, employment generation, and integration into global value chains, especially in sectors such as IT/ITeS, advanced manufacturing etc.

1.3. Over time, the SEZ ecosystem has progressively evolved through amendments, notifications, and instructions, and the industry greatly values the Government's sustained efforts toward ease of doing business, procedural simplification, and facilitative regulation in SEZs.

1.4. In this context, the introduction of Rule 11B in the SEZ Rules, permitting floor-wise demarcation of built-up area in IT/ITeS SEZs as Non-Processing Area (NPA) for leasing to Domestic Tariff Area (DTA) units, along with Instruction No. 115 dated 9 April 2024, has been a welcome step that has enabled better utilization of SEZ infrastructure.

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1.5. Previously, IT/ITeS units in SEZs benefited from attractive income-tax incentives under Section 10AA of the Income-tax Act, 1961, which helped drive strong demand for new SEZ spaces. Although these incentives were discontinued for units commencing operations after 1 April 2021, leading to higher vacancies in many processing areas, the government is now actively exploring measures to boost the SEZ ecosystem and improve the overall demand and utilization of these spaces. Such steps by the Government are appreciated by the industry

1.6. This representation is being submitted to highlight key legal, procedural, and operational challenges under the existing SEZ framework, with particular reference to Rule 11B and Rule 74 of the SEZ Rules, 2006 and to propose practical, legally sound, and policy-consistent solutions to address these challenges, while fully safeguarding revenue and regulatory interests.

1.7. Pertinently, Rule 11B permits floor-wise demarcation of complete floors in IT/ITeS SEZs as Non-Processing Area (NPA) for use by DTA units without SEZ duty/tax benefits, subject to minimum processing area norms (at least 50% of total area and prescribed city-wise minimums).

1.8. On the other hand, Rule 74 prescribes the exit procedure for SEZ units, including debonding, duty/tax payment, asset disposal, and completion of all formalities before the space can be considered for NPA demarcation.

1.9. The key issues in this representation relate to:

- No specific provision for seamless mechanism for conversion of SEZ units to DTA units while operating from the same premises,
- Inability to convert partial floors to NPA,
- Requirement of full repayment of tax benefit on common commercial infrastructure on conversion of processing area to NPA
- Minimum processing area threshold under Rule 11B

These issues have given rise to legal and operational challenges that constrain optimal utilization of SEZ infrastructure and impede ease of doing business.

1.10. Further, the issues identified and the recommendations proposed in this representation are revenue-neutral and will not, in any manner, reduce or otherwise adversely affect the revenue of the Government. They are confined to rationalising and simplifying existing procedures so as to

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provide administrative and operational ease to both the Department and stakeholders, without altering the effective incidence, base, or collection of revenue.

1.11. Addressing these issues through policy and regulatory relaxations would not only optimize the use of existing IT/ITeS SEZ infrastructure but would also strongly align with the Government's broader vision for promoting Global Capability Centers (GCCs) in India, driving high-quality employment, bolstering export-led growth, and advancing self-reliance objectives such as Make in India and Atmanirbhar Bharat.

## 2. <u>Key challenges & recommendations:</u>

### 2.1. <u>Issue 1: Requirement of seamless mechanism for conversion of SEZ units to DTA units from the same premises (Interplay of Rule 11B and Rule 74)</u>

2.1.1. Under the current implementation, when an existing SEZ unit operating in an IT/ITeS SEZ wishes to forego its SEZ status and continue operations as a DTA unit from the same premises, it is required to first apply for exit under Rule 74, complete all exit-related formalities (including duty payment, NDCs, and unit exit approval), and only thereafter can the developer file for demarcation of the concerned built-up area as NPA under Rule 11B. Such aspect is also covered under Instruction No.115[1] dated 9th April 2024.

2.1.2. In practice, this sequential process leads to a significant time lag typically at least 6–9 months between (i) exit as an SEZ unit and (ii) BoA approval for demarcation of the same premises as NPA, during which the unit is not able to operate from that premises either as an SEZ unit or as a DTA unit.

2.1.3. This results in avoidable disruption to business continuity, revenue loss to the exchequer (as no operations are carried out during this period), and loss of lease rentals to the developer, purely on account of procedural sequencing rather than any substantive policy concern.

2.1.4. Thus, SEZ units wishing to transition from SEZ to DTA status are compelled to cease operations from their existing premises for several months, with severe disruption to client service delivery, employment continuity, and contractual obligations.

[1] Issue 8 and issue 11 of the Instruction No.115 dated 9th April 2024



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2.1.5. Further, these units may need to temporarily relocate to alternate premises and then shift back once NPA demarcation is completed, causing additional costs, logistical challenges, and IT/infrastructure movement risks.

2.1.6. In light of the above, it is proposed that a facilitative framework be introduced through an amendment to the SEZ Rules (particularly Rule 11B) and through a detailed circular/instruction to allow simultaneous processing of exit of SEZ units under Rule 74 and demarcation of the corresponding built-up area as NPA under Rule 11B, thereby enabling the concerned unit to continue operating from the same premises as a DTA unit without a period of forced non-operation.

2.1.7. Such an amendment may be in the form and substance as detailed under **Annexure 1** subject to legal vetting. The proposed approach of permitting a provisional exit from the SEZ upon filing of a bond is aligned in principle with the existing framework applicable to EOU/STP units. Chapter 6 of the Foreign Trade Policy (FTP) specifically acknowledges that where duty calculations and dues are under dispute and resolution is likely to be time-consuming, the exit process need not be held up until final quantification and settlement.

2.1.8. Additionally, the law contemplates that the unit may be allowed to exit based on the submission of a bond or through an installment mechanism backed by a bank Guarantee, so that the exit is expedited while simultaneously safeguarding revenue interests of the Government. For ease, the relevant extract from the FTP *[Para 6.17]* is reproduced as follows:

> *"……………In case the duty calculations and dues are disputed and take a long time, a BG / Bond / Installment processes backed by BG shall be provided for expediting the exit process."*

2.1.9. Further, the suggested model closely parallels to the long-standing practices under the Customs Act wherein provisional assessment of bill of entry and bonds/undertakings are accepted to enable clearance/operations while residual disputes are pursued separately.

2.1.10. The proposed framework would preserve revenue interests by ensuring that all admitted dues are paid before in-principle exit and that bonds secure any disputed amounts and avoid the current 6–9 months gap of non-operations, thereby improving Ease of Doing Business and protecting employment.

2.1.11. This will further enable in accelerate transition of units from an incentivized SEZ regime to a fully taxable DTA regime, enhancing tax collections.

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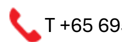

2.2. **Issue 2 : Inability to demarcate portions of floors as NPA leading to vacant spaces**

2.2.1. Under the current Rule 11B(3), Non-Processing Area in an IT/ITeS SEZ must consist of a complete floor. Thus, demarcation of a "part of a floor" as NPA is not permitted.

2.2.2. Floor plates in modern commercial buildings commonly range from 30,000 to 50,000 sq. ft. or higher, and developers often sub-divide floors into multiple units to cater to differing space requirements of SEZ units. In many instances, one SEZ unit on a floor may exit or vacate while another continues to operate from the same floor, leaving behind a partial-floor "vacant zone" that cannot be demarcated as NPA under current rules.

2.2.3. Even where there is strong demand from DTA units for such partial floor space, developers are compelled to carry this space as vacant because they cannot legally convert only that portion of the floor into NPA while maintaining SEZ operations on the remaining portion.

2.2.4. Thus, partial floors remain locked-in and non-revenue-generating even where there is immediate demand from DTA occupiers, leading to high vacancy, underutilization of infrastructure, and loss of potential GST/service tax revenue for the Government.

2.2.5. Further, financial returns on SEZ investments are dampened, impacting the willingness of developers to maintain and upgrade SEZ infrastructure.

2.2.6. In light of the above, it is recommended to allow partial-floor demarcation as non-processing area with safeguards. The proposed amendment in this regard may be in the form and substance set out in **Annexure 2** subject to legal vetting.

2.2.7. Allowing partial-floor NPA demarcation would unlock currently vacant partial-floor spaces for DTA units, enhancing rental revenues, and creating additional employment opportunities for DTA units and GCCs, while maintaining robust control over SEZ operations.

2.3. **Issue 3: Full repayment of tax benefit on common commercial infrastructure on conversion of processing area to NPA**

2.3.1. The present framework under Rule 11B(5) effectively requires repayment of "tax benefits attributable to the non-processing area" by using a built-up area ratio (non-processing to processing), but it does not distinguish between (a) infrastructure and facilities exclusively serving the non-processing area, and (b) common infrastructure which continues to be substantially and predominantly used for the processing area and SEZ operations.

2.3.2. As a result, in practice, part of the tax benefits attributable to common infrastructure that still benefits the processing area (and SEZ units operating therein) also gets reversed indirectly, even though such infrastructure continues to be integrally connected with the authorized SEZ operations and exports.

2.3.3. The above requirement is quite inconsistent with the principle that tax benefits should be reversed only to the extent they are attributable to activities no longer aligned with the SEZ policy framework.

2.3.4. In light of the above, it is recommended to expressly permit proportionate reversal of tax benefits in respect of common infrastructure, based on an objective and reasonable apportionment methodology. The proposed amendment in this regard may be in the form and substance set out in **Annexure 3** subject to legal vetting.

2.3.5. Allowing proportionate repayment of tax benefit on common commercial infrastructure and other facilities will ensure that only that portion of the tax benefit which is fairly attributable to the non-processing area usage is repaid, while preserving the incentives legitimately aligned with the continuing SEZ processing operations.

2.4. **Issue 4: Rigid minimum processing area threshold under Rule 11B(7) constraining demarcation of NPA in IT/ITeS SEZs**

2.4.1. Rule 11B(7) currently provides that demarcation of non-processing area shall not be allowed if it results in decreasing the processing area to less than fifty per cent of the total area or less than the minimum built-up processing area prescribed for Category A/B/C cities (50,000/25,000/15,000 square meters respectively).

2.4.2. Although the introduction of Rule 11B has enabled demarcation of vacant built-up area into NPA and leasing of such space to DTA units, several IT/ITeS SEZs are approaching or have reached the 50% minimum processing area threshold, beyond which further demarcation is currently prohibited, even if there is no realistic prospect of attracting new SEZ units in the medium term.

2.4.3. This results in large tracts of high-quality Grade A IT/ITeS infrastructure remaining unutilized, at a time when India's GCC sector and Grade A office demand are expanding rapidly, and when several states have issued GCC policies to attract such investments.

2.4.4. It is respectfully submitted that Rule 11B(7) be amended so as to further relax the minimum processing area threshold for demarcation of NPA in IT/ITeS SEZs, while retaining the minimum

built-up processing area requirement for each city category as originally prescribed for the establishment of SEZs.

2.4.5. Such an amendment may be in the form and substance as detailed under **Annexure 4** subject to legal vetting. This would ensure that the original policy intent of ensuring a minimum critical mass of processing area in IT/IteS SEZs is preserved, while allowing greater flexibility in converting genuinely unutilized, structurally vacant space into NPA for use by tax-paying DTA units.

2.4.6. Further, such an amendment would be fully consistent with the objectives of the SEZ framework and support the economic growth by facilitating exports, investment, and employment. Additionally, SEZ developers would be better able to maintain and upgrade infrastructure through enhanced rental revenues.

## 2.5. Issue 5: Permission for SEZ services units to perform Rupee Denominated business in DTA with respect to services.

2.5.1 Presently, the SEZ units are allowed to transact business with DTA units in respect of 'goods' in rupee payments. This benefit has not been extended to services in the SEZ Act 2005. Thus, all services rendered by SEZ Units in the DTA would have to be billed in foreign currency which results in a situation wherein an SEZ unit is required to charge the domestic units availing their services in foreign currency which poses operating difficulty for domestic units and also results in a foreign exchange exposure to these units.

2.5.2 The Government's endeavor has been to bring treatment of goods and services at par which is reflected in the GST framework as well. Similar parity should be provided to services under the SEZ Act also, thereby permitting rupee denominated business.

2.5.3 You are requested to note that the income from these services does not enjoy the income-tax holiday and GST is also paid on such services. Hence this does not put the SEZ units at any advantageous position vs. the DTA service providers.

2.5.4 Also, one of the key focus areas of the Government has been "Ease of doing Business". While SEZ developers and units have lost direct tax benefits, they have still been left to adhere to several compliances required under the SEZ framework. Hence it is important to provide flexibility to the units operating out of SEZs.

2.5.5 Hence, we request Ministry of Commerce & Industry to effect the removal of Clause 2 z(iii) of SEZ Act 2005.

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**Our Plea**:

We respectfully seek the kind intervention of the Ministry of Commerce and Industry (Department of Commerce) to consider the above-stated challenges and associated recommendations and undertake remedial action for the removal of such challenges.

We are available to provide any further information or clarification required and look forward to your continued guidance and support on this important matter

We kindly request you to take the above on record and grant us an opportunity to discuss the matter subject to your availability.

Our Country Principal Ms. Sameeksha Sharma, is based out of Mumbai and can be reached via Email : Sameeksha.sharma@aprea.asia and / or Handphone: +91 98202 70706.

Yours Sincerely,

**Sigrid Zialcita**,
**Chief Executive Officer, APREA**

**Annexure 1**

**Proposed recommendation for Issue 1**

**A.** As discussed, under **Para 2.1.7** above, it is suggested to insert a new sub-rule (5A). A suggested draft to the amended provision is as follows:

*(5A) Notwithstanding anything contained under sub-rule (5) above, for the limited purpose of enabling continuity of operations and transition of units from Special Economic Zone status to Domestic Tariff Area status from the same premises, the Board of Approval may, on the recommendation of the Development Commissioner, permit provisional demarcation of such area as non-processing area and allow the concerned unit to operate therefrom as a Domestic Tariff Area unit, subject to the following specified conditions.*

i. *The Developer shall, based on records and information available, prepare a statement of tax benefits attributable to the proposed non-processing area and shall repay, prior to such provisional demarcation, the amount of tax benefits so provisionally computed.*

ii. *The developer shall execute an undertaking or indemnity in favour of the President of India, and shall furnish such bond or other security as may be specified, to secure payment of any additional amount of tax, duty, interest or other sums found payable upon final determination.*

iii. *Where a unit in an IT/IteS SEZ has applied for exit under rule 74 in respect of a specified built-up area and the Developer has made an application under this rule for demarcation of the corresponding built-up area as non-processing area, the Unit Approval Committee may, on being satisfied that the conditions in clause (ii) have been complied with No Dues Certificates have been obtained from the jurisdictional Customs and other authorities, grant an in-principle exit approval to such unit under rule 74 and recommend to the Board of Approval provisional demarcation of such area as non-processing area.*

   *Provided that with effect from the date specified in the in-principle exit approval the concerned unit shall cease to be entitled to any exemption, concession, drawback or other benefit under the Special Economic Zones Act, 2005 and the rules made thereunder in respect of the said premises and all operations carried on from the said premises shall be treated as operations of a Domestic Tariff Area unit in accordance with applicable law.*

*Provided further that the premises covered by first proviso shall, for operational purposes, be treated as provisionally demarcated non-processing area, without prejudice to the decision of the Board of Approval on the application for demarcation.*

iv. *The developer shall, within a period of six months from the date of in-principle exit approval of the unit, or within a further period not exceeding six months as may be granted by the Development Commissioner or the Board of Approval for reasons to be recorded in writing, obtain final, detailed computation of tax benefits attributable to the non-processing area duly certified by a Chartered Engineer or a Chartered Accountant and pay any differential amount of tax, duty or other sums so determined, along with interest thereon in accordance with the provisions of the applicable laws.*

v. *On consideration of the recommendation of the Development Commissioner and the material placed on record, including proof of repayment made, the Board of Approval may pass such orders on the application for demarcation as it deems fit and, where it approves such application, shall specify the date from which the said area shall stand demarcated as non-processing area.*

**B.** To enable the simplified enactment of the above sub-rule, it is further suggested to issue detailed guidelines by way of a circular or instructions. The mechanism for simultaneous processing of exit of SEZ units under Rule 74 and demarcation of the corresponding built-up area as NPA could be as follows:

- The SEZ unit initiates exit under Rule 74, and concurrently, the developer files an application under Rule 11B(5A) for demarcation of the concerned premises as NPA.
- The Unit shall discharge all duty benefits in accordance with existing rules and processes, including payment of customs duties and applicable taxes on capital goods and inputs, and obtain No Dues Certificates (NDCs) from Customs and other authorities.
- Upon satisfaction of duty payment and NDC conditions, the DC grants an “final exit order” to the unit under Rule 74, and the Development Commissioner recommends the developer’s NPA demarcation proposal to the BoA provided the developer has repaid the tax benefits provisionally, on self-computation basis in accordance with Rule 11(5) of the SEZ rules.

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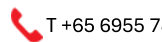

- From the date of the DC's in-principle exit approval till the date of final approval for NPA demarcation by BoA, the unit is permitted to operate from the same premises as a DTA unit (with no SEZ benefits), subject to:
  - Execution of appropriate indemnity to cover any repayment of benefits or any residual disputed dues; and
  - Clear declaration that no further duty/tax benefits under the SEZ scheme will be availed from the effective date of in-principle exit.
  - The developer has repaid the tax benefits provisionally, on self-computation basis in accordance with Rule 11(5) of the SEZ rules.
- The developer is required to obtain final, detailed computation of tax benefits attributable to the non-processing area duly certified by a Chartered Engineer or a Chartered Accountant and pay any differential amount of tax, duty or other sums within a period of six months from the date of in-principle exit approval, or within such further period as may be allowed by the Development Commissioner or the Board of Approval for reasons to be recorded in writing.
- Upon BoA's final approval of NPA demarcation, the unit continues its operations as a DTA unit without any disruption and the premises stands formally converted to NPA.
- Throughout this process, the unit's plant, machinery, and IT infrastructure may remain in place, avoiding unnecessary movement and associated risks.

**C.** For ease of reference, the existing and proposed steps for simultaneous processing of exit of SEZ units under Rule 74 and demarcation of the corresponding built-up area as NPA are as follows:

| Existing Procedure | Suggested Procedure |
|---|---|
| **Step 1:** The SEZ unit files an application with the Development Commissioner ("DC") seeking 'in-principle' approval for exit from the SEZ. | **Step 1:** The SEZ unit applies to the DC for 'in-principle' exit from the SEZ, and concurrently, the SEZ developer applies to the BoA for 'in-principle' demarcation of the corresponding SEZ built-up area as NPA. |
| **Step 2:** The SEZ unit discharges the applicable duties and taxes and obtains a | **Step 2:** The SEZ unit discharges the applicable duties and taxes and obtains a no-dues certificate (NDC) from the DC and the customs authorities. |

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| Existing Procedure | Suggested Procedure |
|---|---|
| no-dues certificate (NDC) from the DC and the customs authorities. | |
| **Step 3:** The SEZ unit execute legal undertaking for payment of any penalties that may be imposed. | **Step 3:** The SEZ unit execute legal undertaking for payment of any penalties that may be imposed. |
| **Step 4:** The DC issues the final exit order to the SEZ unit.<br>***The Unit shall continue to be treated a unit till the date of final exit.*** | **Step 4:** The SEZ developer provisionally repays the tax benefits attributable to the proposed NPA on a self-computation basis, pending final quantification. |
| **Step 5:** The SEZ developer obtains a certificate issued by a Chartered Engineer certifying the tax benefits attributable to the proposed non-processing area as per Books of Accounts | **Step 5:** Upon satisfaction of the prescribed conditions, the DC issues the final exit order to the SEZ unit.<br>***The unit shall be treated as a DTA unit from the date of 'in-principle' exit granted by the DC until the date of BoA's final approval for NPA demarcation, subject to fulfilment of the stipulated conditions.*** |
| **Step 6:** Based on the Chartered Engineer's certificate, the SEZ developer repays the tax benefits attributable to the non-processing area. | **Step 6:** The SEZ developer obtains a certificate issued by a Chartered Engineer / Practising Chartered Accountant certifying the tax benefits attributable to the proposed non-processing area based on Books of Accounts |
| **Step 7:** The SEZ developer obtains a no-dues certificate from the specified officers and furnishes an undertaking for payment of any additional duty liability that may arise. | **Step 7:** Based on the Practising Chartered Accountant's certificate, the SEZ developer repays the tax benefits attributable to the non-processing area. |

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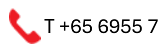
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| Existing Procedure | Suggested Procedure |
|---|---|
| **Step 8:** The SEZ developer applies to the Board of Approval ("BoA") through the Development Commissioner for demarcation of the specified built-up area as NPA along with relevant supporting documents. The proposal is sent to BOA by The Development commissioner with its recommendation | **Step 8:** The SEZ developer obtains a no-dues certificate from the specified officers and furnishes an undertaking for payment of any additional duty liability that may arise. |
| **Step 9:** Upon being satisfied that the prescribed conditions are met, the BoA considers and approves the demarcation of the specified SEZ area as NPA | **Step 9:** The SEZ developer applies to the Board of Approval ("BoA") though the development Commissioner for demarcation of the specified built-up area as NPA along with relevant supporting documents |
| **Step 10:** Following demarcation, the unit undertakes Domestic Tariff Area ("DTA") operations in the area so demarcated as NPA. | **Step 10:** Upon being satisfied that the prescribed conditions are met, the BoA considers and finally approves the demarcation of the specified SEZ area as NPA. |



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**Annexure 2**

**Proposed Amendment for Issue 2**

A. As discussed, under **Para 2.2.6** above, the suggested draft to the amended provision is as follows:

*(3) A Non-processing area may consist of one or more complete floors or demarcated parts of floors.*

*Provided that where the developer applies for demarcation of parts of floors the developer shall ensure and undertake that there is clear physical segregation of the Non-Processing Area from Processing Area, access control and security protocols as may be prescribed by the Development Commissioner are implemented and detailed floor plans showing the demarcation are submitted and approved in advance by the Development Commissioner.*

B. The above safeguards under proposed Rule 11(B)(3) can include:

- Mandatory access control through biometric/RFID-based systems to restrict and record movement between processing and non-processing areas;
- Submission of detailed floor plans and architectural drawings clearly marking processing and non-processing zones, common areas, and access paths, for prior approval by the Development Commissioner and Customs;
- Installation of physical barriers (e.g., glass partitions, controlled doors) and clear signage to reflect the status of each portion;
- Periodic audits/inspections to ensure compliance with demarcation and access-control requirements.

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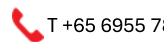

## Annexure 3

**Proposed Amendment for Issue 3**

A. As discussed, under **Para 2.3.5** above, the suggested draft to the amended provision is as follows:

*(5) Board of Approval shall permit demarcation of a non-processing area for a business engaged in Information Technology or Information Technology Enabled Services Special Economic Zone, only after repayment, without interest, by the Developer, —*

*(i) tax benefits attributable to the non-processing area, calculated as the benefits provided for the processing area of the Special Economic Zone, in proportion of the built up area of the non-processing area to the total built up area of the processing area of the Information Technology or Information Technology Enabled Services Special Economic Zone, as specified by the Central Government.*

*(ii) tax benefits already availed in respect of infrastructure, including social or commercial infrastructure and other facilities,* ***to the extent such infrastructure is attributable to exclusive use by the non-processing area or, where such infrastructure is used*** *commonly* ***by the processing and non-processing areas, only to the extent of the proportion of such common use that is attributable to the non-processing area, in accordance with the manner and method of apportionment as may be provided*** *by the Central Government.*

*Explanation: The manner and method of apportionment referred to in clause (ii) may, inter alia, be based on objectively verifiable parameters such as built-up area, number of users, capacity utilisation or such other criteria as may be notified by the Central Government, having regard to the predominant use of such infrastructure.*

*Provided that no repayment shall be required in respect of that part of the tax benefits which is demonstrably attributable to the continued use of such infrastructure exclusively or predominantly by units in the processing area of the Special Economic Zone."*

B. It is recommended that the repayment of tax benefits should correspond to the actual share of usage of common infrastructure by Non-Processing Area (NPA) vis-a-vis Processing Area (PA). The method should rely on objective data (built-up area, access control data, headcount, electricity meters, parking usage, etc.) and thus, different categories of infrastructure may require different allocation keys.

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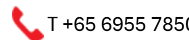
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C. Some of illustration examples are as follows:

| S.N. | Categories | Examples | Allocation key |
|---|---|---|---|
| 1 | Space-driven facilities | Common lobbies, corridors | Built-up area |
| 2 | User-driven facilities | Food courts, common dining facilities. medical rooms | Number of users |
| 3 | Capacity-driven facilities | HVAC/chiller plants, DG sets | Designed capacity and actual load |


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## Annexure 4

**Proposed Amendment for Issue 4**

A. As discussed, under **Para 2.4.5** above, the suggested draft to the amended provision is as follows:

*(7) Demarcation of a non-processing built up area shall not be allowed if it results in decreasing the balance built up area in the processing zone to less than the area specified in column (3) of the table below:*

| *TABLE* | | |
|---|---|---|
| *Sl. No. (1)* | *Categories of cities as per Annexure IV-A (2)* | *Minimum built-up area in processing Zone of the SEZ (3)* |
| *1.* | *Category 'A'* | *50,000 square meters* |
| *2.* | *Category 'B'* | *25,000 square meters* |
| *3.* | *Category 'C'* | *15,000 square meters* |


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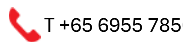

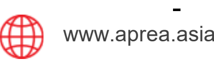

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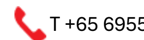

*Submission on behalf of* ***APREA Members***

***Date of Submission*** *: 26th June 2026*

***By Ms. Sameeksha Sharma***

***Country Principal APREA India Chapter***

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# Annexure to Representation Dated 6th March 2026

**"Representation on operational challenges and suggested reforms in Special Economic Zone (SEZ) regulations".**

**---**

# Annexure : SEZ Challenges and Suggestions

**SEZ Policy Review | SEZ Challenges and Suggestions**

Restrictive SEZ policies are curtailing the growth of SEZs which have contributed significantly to the economic activity and employment. Huge investments have gone into SEZs. A progressive policy framework will help SEZs, which are contributing significantly to both economic activity as well as employment generation.

Baba Kalyani Report on SEZs issued in 2019 had recommended moving SEZs away from exports to more integrated hub for employment and economic activities supported by quality infrastructure and ease of doing business. It recommended use of initiatives for creation of manufacturing ecosystem delinked from export performances. The quantum of initiatives were recommended to be on investment committed, job creation, promoting women in job, value addition, technology differentiation, trade potential and priority industry. The committee also recommended allowing payments for domestic supplies to be made in rupee.

Considering the above recommendations and the importance of economic growth and employment generation to achieve India's Viksit Bharat 2047 vision we suggest the following for your kind consideration w.r.t. SEZ scheme modification:



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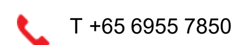
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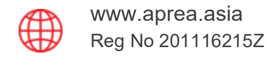
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| Sr. | Issue | Suggested Amends | Rationale |
|---|---|---|---|
| **1. Permitting Rupee Billing** | | | |
| **1a.** | **Permission for SEZ units to perform Rupee Denominated business in DTA with respect to services rendered.** | As per clause 2 z(iii) of SEZ Act 2005, all services rendered by SEZ Units to the DTA clients would have to be billed in foreign currency which results in situation where a DTA client has to pay in foreign currency for the services provided by an SEZ client. This results in a foreign exchange exposure to the DTA Unit who may not be having any exports.<br><br>It is therefore requested that revision be affected by removal of Clause 2 z(iii) of SEZ Act 2005. | • Presently, SEZ units are allowed to transact business with DTA units in respect of 'goods' in rupee payments. This benefit has not been extended to services in the SEZ Act 2005.<br>• Government's endeavor has been to bring treatment of goods and services at par, which is also reflected in the GST framework. Similar parity should be provided to services under the SEZ Act also, thereby permitting rupee denominated business.<br>• Income from these services neither enjoy income tax holiday nor indirect tax exemption/benefits. Hence allowance of Rupee payment shall not put the SEZ units at any advantageous position wrt DTA service providers. |



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| Sr. | Issue | Suggested Amends | Rationale |
|---|---|---|---|
| **2. Relaxation of Usage Norms for the Non-Processing Area** | | | |
| **2a.** | **Relaxation of Usage Norms for the Non-Processing Area (NPA)** | As per Clause (3)(c) of Rule 11 A inserted vide notification no. GSR 5( E) dated 2nd January 2015 issued by Ministry of Commerce& Industry, area permissible for Housing, Commercial and Social & Industrial Infrastructure has been capped as percentage of total Non Processing area of the Zone.<br><br>Social /commercial infrastructure need of every SEZ would be different based on its location, existing infrastructure around the SEZ, etc. Hence, usage norms for the NPA cannot be uniform across SEZs.<br><br>It is therefore requested to remove clause (3) ( c) of Notification dated 2nd Jan 2015 and allow the Developer to use the NPA as per need and feasibility. | • Social and commercial infrastructure compliment the Processing Area and are therefore essential elements of growth of SEZ.<br><br>• Prescribing thresholds for usage of Non-Processing Areas would limit the cohesive growth of SEZs.<br><br>• In many IT/ITES SEZs, the major portion of notified area is used as processing area thus leaving only a small parcel of land to be used as non processing area. In the present form of Rule 11A, none of the facilities / amenities can be created adhering to the threshold percentage. |



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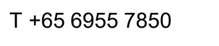
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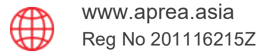
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| Sr. | Issue | Suggested Amends | Rationale |
|---|---|---|---|
| 2(b) | **De-bonding of land area to be used by Non SEZ IT-ITES clients in line with Rule 11B** | Non Processing land area demarcation within the processing land area should be permitted for a stand alone single DTA IT/ITES Client | • In many places, SEZ land is taken on lease from State Government with an obligation of developing SEZs. With the slowing in demand for SEZ spaces, there are vacant land parcels for want of SEZ clients. However, there is demand for non SEZ IT/ITES Clients who want standalone single tenant building within the SEZ premises.<br>• Allowing debonding of land area within the SEZ area with all necessary measures will address the issue of the vacancy, create economic activity, generate employment and enrich the exchequer. |



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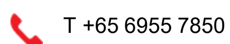
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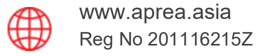
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| Sr. | Issue | Suggested Amends | Rationale |
|---|---|---|---|
| **3. Employment Linked Incentives to be provided to the GCCs** | | | |
| **3(a)** | **Incentivization of GCC units** | India being a destination of competitive talent pool, most of the GCCs and International IT/ITES companies are attracted for having their back offices in India in general and SEZs in particular. However, because of lack of substantial fiscal competitiveness, the demand from these GCCs for SEZs are not as rapid as envisaged.<br><br>An employment linked incentives for GCCs and International companies for setting their operations in SEZs shall add impetus to the demand. | • GCCs shall create substantial employment which is the need of the day in view of the global scenario and challenges posed by AI.<br>• Increase in exports leading to Foreign Currency inflow<br>• On DTA supplies, increase in revenue of the government by way of Direct and Indirect Tax collection.<br>• Fiscal benefits of tax rebates on incremental employment generation shall keep these companies motivated for continuous expansion of their businesses |

| Sr. | Issue | Suggested Amends | Rationale |
|---|---|---|---|
| **4. Rule 11 B – Challenges and Suggestions** | | | |
| **4(a)** | **Rigid Minimum Processing Built up area threshold** | As per Rule 11 B (7) of SEZ Rules, demarcation of non - processing built up area shall not be allowed if it results in decreasing the processing area to less than 50% of total built up area in processing zone or less that the eligible built up area as prescribed in Rule 5(2) of SEZ Rules Viz for category A/B/C cities ( 50,000/25,000/15,000 sqmt) respectively.<br><br>It is suggested that Rule 11B(7) be amended so as to relax the minimum processing built up area threshold requirement to be in line with the requirement for each city category originally prescribed for establishment of an IT/ITES SEZ | • Due to reduced demand for SEZ built up spaces and huge vacant built up spaces, several IT/ITES Developers are approaching the threshold with sizable built up area still remaining vacant over and above the threshold limits. This is resulting in large tracts of high quality Grade A IT/ITES infrastructure remaining unutilized.<br>• Demand from India's GCC Sector for Grade A offices are expanding rapidly for Non-SEZ spaces |

| Sr. | Issue | Suggested Amends | Rationale |
|---|---|---|---|
| 4b. | **Calculation of Tax benefits attributable to Non Processing Built up area** | As per Clause ( 5) (i) of Rule 11 B, tax benefits attributable to Non-Processing Built up area is calculated as a proportion of NPA area to the total built up area of the Processing Zone.<br><br>An IT/ITES SEZ may have more than one building constructed at different time spans. Thus the construction cost and percentage of duties / taxes may not be same for all buildings. Also the buildings where none of the floors are demarcated as NPA continue to avail all exemption and benefits as admissible to an SEZ Developer.<br><br>It is therefor requested to amend clause ( 5) (i) of SEZ Rule 11 B to calculate the tax benefits attributable to Non-Processing Built up area as a proportion of NPA area to the total built up area of the specific building of which the proposed NPA floor is a part. | • Revenue loss for government if the recently constructed building's floor(s) is considered for NPA demarcation.<br><br>• Over refund by Developer if older buildings floor (s) is considered for NPA demarcation<br><br>• If the calculation is frozen for the buildings which are still having all floors as SEZ, they shall keep availing the benefits in future till atleast one floor of that building is NPA demarcated and the duty refund will be calculated at the frozen percentage, thus leading to revenue loss to the exchequer. |



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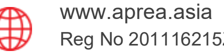

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| Sr. | Issue | Suggested Amends | Rationale |
|---|---|---|---|
| 4(c) | **Full repayment of exemption and benefits availed on common infrastructure / facilities and amenities of entire SEZ** | Present framework under Rule 11 B (5) (ii) does not distinguish between (a) infrastructure and facilities exclusively serving the NPA and (b ) Common Infrastructure which continues to be predominantly and substantially used for the SEZ operations. The rule requires for total refund of exemption and benefits availed on creation of this infrastructure.<br><br>The above requirement is quite inconsistence with the principle that tax benefits should be refunded only to the extent that are attributable to the activities no longer aligned with the SEZ policy framework.<br><br>It is suggested to allow proportionate re-payment of tax benefits on common commercial infrastructure | • In practice, part of the tax benefits attributable to common infrastructure which is predominantly used by the SEZ occupants also gets refunded. |



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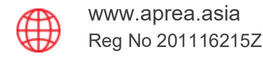
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| Sr. | Issue | Suggested Amends | Rationale |
|---|---|---|---|
| 4(d) | **Demarcation of parking built up area as Non Processing area** | Different field formations are interpreting the treatment to be given to the parking built up areas in the constructed building. At some zones, we are being asked to include the paring areas as Non processing areas. However, parking area being an infrastructure amenity and facility and cant be segregated for exclusive use by the SEZ and DTA units, should not be demarcated and Non Processing area.<br><br>A clarification is to be issued to treat the parking built up area as common area towards facility provided to both SEZ and DTA clients | • Rule 11 (B) (2) – "A Non processing area may be used for **setting up and operation** of business engaged in IT/ITES" . A parking area is a infrastructure facility and not the area of operations .<br>• Rule 11 ( B) (3) – A non processing area shall consist of complete floor and part of a floor shall not be demarcated as Non Processing Area . A complete parking floor can not be demarcated as it has parking of both SEZ and DTA clients. The parking spaces for SEZ clients have been allotted at the time of their start of operations and they cannot be re-allocated and moved.<br>• There is no provision for apportioning parking area in Rule 11(B). Accordingly, total exemption |

| Sr. | Issue | Suggested Amends | Rationale |
| --- | --- | --- | --- |
| | | | and benefits availed for construction of the entire parking floors are refunded. Considering parking floor for NPA demarcation would contradict this provision.<br>• The NPA demarcation approvals can also be compared with that of the LOA issued to SEZ IT/ITES units where only office built-up areas are mentioned in the LOA and does not include the building parking floors / Built up area. |
| 4(e) | **Depreciation on Capital Goods put to use in the bldg having floor** | As per clarification given vide Instruction no. 115, depreciation on the Capital Goods is allowed as per Rule 49 of SEZ Rules 2006, however in Some Zone, this is disallowed. | • Capital Goods like elevators, Power back systems, chillers, HVAC systems are put to use and are used by both SEZ and Non SEZ clients. As per Customs Valuation Rule and Rule 49 of SEZ Rules, depreciation should be allowed on these capital Goods |

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| Sr. | Issue | Suggested Amends | Rationale |
|---|---|---|---|
| 4(f) | **proposed for NPA demarcation**<br><br>**Conversion of SEZ units to DTA units from the same premises without physically moving out (Interplay of Rule 11B and Rule 74)** | It is suggested that the depreciation on the capital goods put to use in the building where the floor/s are proposed for NPA demarcation should be allowed as per Rule 49 of SEZ Rules 2006 as these capital goods are used by both SEZ and DTA clients and a notification should be issued asap to this effect.<br><br>Currently, the exit of the SEZ units and application for NPA demarcation of the built up area leased to the Unit is a sequential process. That is to say, application for NPA demarcation can be submitted only after final exit by the SEZ Unit under Rule 74.<br><br>It is suggested to allow simultaneous exit of the SEZ Units under Rule 74 and and approval of demarcation of corresponding built up area under Rule 11 ( B) and if the concerned units wishes to be a DTA unit operating from the | • The sequential process leads to a significant time lag say about 6 to 8 months resulting in disruption in the operation by the SEZ clients of the same premises who wishes to be DTA unit, loss in revenue to the Government and loss of lease rentals to the Developer<br>• This will further enable to accelerate transition from an incentivized SEZ regime to a fully taxable DTA regime, enhancing the tax collection by the Government.<br><br>• Floor plates in commercial IT buildings are of huge carpet area ( 30,000 to 50,000 Sqft) and are subdivided into multiple units and leased to various clients. In many cases, some SEZ units |



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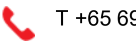
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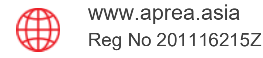
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| Sr. | Issue | Suggested Amends | Rationale |
|---|---|---|---|
| 4(g) | **Approval for demarcation of partial SEZ floors into NPA** | same premise, it should be allowed to do so without a period of forced non-operation.<br><br>As per Rule 11 B ( 3), a non-processing area shall consist of a complete floor and part of a floor shall not be demarcated as non processing area<br><br>It is suggested that demarcation of partial floors as non-processing area should be allowed with requisite safeguards subject to the condition that same unit should not be location on any given floor as DTA and SEZ unit | from a particular may exit leaving behind partial vacant floor whereas the remaining units continue to operate as SEZ units thus locking the partial floor for a long period.<br>• There is a strong demand from DTA units for partial floors but the same cannot be offered to them for want of relaxation in Rule 11 B (3).<br>• Allowing NPA demarcation of partial floor shall unlock the currently vacant floors spaces for DTA units and GCC while maintaining robust control over SEZ operations. This shall enrich the exchequer and a rental revenue to the Developer and operational ease to DTA units including GCCs |

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APREA proudly celebrated its 20th Anniversary in 2025, marking two decades of commitment to advancing the real assets sector. We continue to champion our members by serving as their voice in policy matters, delivering cutting-edge research and insights, and fostering connections that unlock business opportunities. Our focus remains steadfast on creating value and shaping the future of the industry through the following key priorities:
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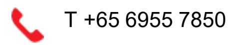
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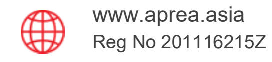
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**To,**
The Committee

**Subject:** Request for Reconsideration of Policy for Worn and Used Clothing Units under Rule 18(4) of the SEZ Rules, 2006

**Dear Sir/Madam,**

We understand that the Committee has been constituted to review the existing Special Economic Zone (SEZ) framework and recommend appropriate policy reforms for the formulation of the SEZ 2.0 Policy.

In this regard, we would like to respectfully submit a brief overview of the industry, its global relevance, and the significant opportunities it can create for India in terms of exports, employment generation, recycling, and circular economy development.

1. The worn and used clothing industry falls under the Green Category as per the Pollution Control Board norms in India.
2. Globally, more than 10,000 units are engaged in the segregation and processing of worn and used clothing.
3. Major countries operating in this sector include China, Pakistan, Korea, Japan, UAE, USA, Canada, Mexico, Australia, the UK, Middle Eastern countries, and several European nations.
4. The activity primarily involves segregation of worn and used clothing into wearable and non-wearable categories.
5. Wearable clothing is largely exported to African countries, while non-wearable materials are converted into industrial wipers and rags and exported to markets including India, USA, and Australia.
6. The industry generates large-scale employment opportunities, especially for unskilled and semi-skilled male and female workers.
7. At present, there are no major restrictions globally on establishing such units, whereas India continues to maintain restrictive policies.
8. In India, only around 17 licenses have remained operational for nearly two decades through continuous renewals and relaxed conditions. These entities operate across multiple locations, effectively resulting in limited competition and a monopolistic market structure.
9. In the current global scenario, particularly after recent geopolitical disruptions, international businesses are actively seeking stable and reliable manufacturing and recycling partners. India, with its governance strength, manpower availability, and cost competitiveness, is well-positioned to emerge as a global hub in this sector.
10. Panipat already serves as one of the world's largest textile recycling hubs, with over one lakh units engaged in yarn production, recycling, and exports.
11. The industry today extends beyond segregation into upcycling, remanufacturing, and value-added recycling, with multinational companies actively sourcing sustainable recycled materials.

12. Countries such as Thailand, Malaysia, Cambodia, and several European nations actively support upcycling industries, whereas such activities currently remain restricted in India.

## Global Trade Data Supporting the Industry

As per 2023 global trade data under HS Code 630900 (Worn Clothing):

- China exported approximately USD 680 million
- Pakistan exported approximately USD 425 million
- UAE exported approximately USD 235 million
- Bangladesh exported approximately USD 210 million
- Thailand exported approximately USD 150–160 million
- Cambodia exported approximately USD 120–125 million
- India exported approximately USD 93 million only

These figures clearly demonstrate that the worn clothing sector is a high-volume, employment-intensive, and globally accepted industry where India remains significantly underutilized despite possessing strong manpower, recycling infrastructure, and export capabilities.

## Clarification of Industry Intent

We would also like to respectfully clarify that:

- We are not seeking unrestricted DTA sales.
- We are proposing establishment of segregation and processing units strictly within the SEZ framework.
- The proposed business model is primarily export-oriented in nature and compliant with applicable regulatory mechanisms.

## Conclusion & Request

- Approximately 75% of processed material is exported, while nearly 25% is utilized domestically under OGL provisions for recycling purposes.
- If upcycling, reprocessing, and yarn manufacturing activities are permitted, India can substantially increase exports of value-added products such as yarn, rugs, carpets, pillows, industrial wipers, and remade garments.
- This will significantly contribute towards employment generation, export growth, foreign investment inflow, and circular economy development.

In view of the above, we sincerely request your good office to kindly reconsider and rationalize the current policy framework to enable fair access, healthy competition, and sustainable growth of this environmentally beneficial industry in India.

Thanking you.

Yours sincerely,

**Hitesh Gidwani**
Director – Gidwani Group

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# SWOT Analysis of Used Clothing Segregation, Recycling & Circular Textile Economy Industry in India

## Strengths

- Cost competitiveness compared to competing countries.
- Large availability of workforce across India.
- Strong export infrastructure and port connectivity.
- Stable government and industry-positive business environment.
- Strong global trade partnerships and international market access.
- India is considered a safe and reliable destination for FDI and export-oriented manufacturing.
- Availability of large-scale unskilled and semi-skilled workforce.
- High potential for women workforce participation in labour-intensive operations.
- Existing textile and recycling ecosystem supports scalability and industrial integration.
- India has the potential to emerge as a global leader in textile recycling and circular economy manufacturing.
- Global supply chains are currently shifting and international businesses are actively seeking reliable and stable partners.

## Weaknesses

- Current policy framework has unintentionally resulted in a monopolistic industry structure with highly restricted fresh participation and limited sectoral expansion.
- Entry barriers due to restrictions under Rule 18(4) of SEZ Rules, 2006.
- Limited participation restricting competition, innovation, investment, and sectoral growth.
- Concerns regarding dumping and illegal DTA diversion continue to be raised; however, all operations function under departmental monitoring, customs supervision, regulatory control, mechanisms within the SEZ framework.
- Waste disposal and environmental monitoring concerns have recently been highlighted negatively in certain discussions and media narratives; however, clarification has been provided by the Ministry of Textiles and concerned authorities that the sector operates under regulatory supervision, monitoring mechanisms, and oversight of concerned departments within the applicable framework.

## Clarification

- Certain misleading narratives and misconceptions have been artificially amplified around the sector despite the industry operating under regulated and monitored frameworks, thereby restricting India's broader participation and growth potential within this globally expanding industry ecosystem.

## Opportunities

- Creation of dedicated recycling zones under SEZ framework.
- Rising global demand for sustainability-driven manufacturing and recycled textile products.
- Increasing global recycling mandates and ESG compliance requirements.
- Expansion of recycled yarn manufacturing ecosystem.
- Growth of upcycled fashion exports and sustainable textile products.
- Development of industrial textile recycling and circular manufacturing ecosystem.
- Export opportunities in Africa, Middle East, and South America.
- Increase in exports, foreign exchange earnings, FDI inflow, MSME growth, and employment generation.
- Opportunity for India to emerge as a global hub for sustainable textile recycling, recycled yarn manufacturing, and circular economy-led exports.
- Potential for India to become a globally competitive leader in this sector through timely policy support and industrial expansion.

## Threats

- China, Pakistan, Bangladesh, UAE, Thailand, and Cambodia are aggressively expanding in this sector.
- Delay in policy reforms may shift international businesses, sourcing networks, and investments towards competing countries.
- India may miss the opportunity to become a global trade, recycling, and circular manufacturing hub.
- Continued restrictions may result in loss of export opportunities, investment inflow, and foreign exchange earnings.
- Global supply chain shifts may significantly benefit competing countries if India delays policy intervention and sectoral expansion.
- Competing economies may continue strengthening long-term dominance in textile recycling and circular economy-led manufacturing.

## Strategic Comparison: Virgin Polyester Yarn vs Recycled Polyester Yarn

| Particulars | Virgin Polyester Yarn | Recycled Polyester Yarn |
|---|---|---|

| Raw Material Source | Petroleum / crude oil-based raw materials | Recycled textile waste / used polyester materials |
|---|---|---|
| Foreign Exchange Impact | Higher import dependence | Reduces import dependency and saves foreign exchange |
| Water Consumption | Higher water usage | Lower water consumption |
| Carbon Emissions | Higher carbon footprint | Lower carbon emissions |
| Energy Usage | Energy intensive manufacturing | Lower energy requirement |
| Waste Impact | Creates additional waste | Converts waste into value-added raw material |
| Sustainability | Conventional manufacturing model | Circular economy aligned |
| Employment Generation | More capital intensive | Higher employment generation potential |
| Export Potential | Traditional export segment | High-growth sustainable export segment |
| Strategic National Benefit | Dependence on crude-linked supply chain | Strengthens circular economy and sustainable exports |

## Global Industry Shift

- International textile and apparel markets are increasingly shifting towards recycled and sustainable materials.
- Global brands and buyers are actively seeking sustainable sourcing partners and recycling-integrated supply chains.
- Increasing ESG and sustainability compliance requirements are accelerating global demand for recycled textile products.
- Europe and several international markets are gradually moving towards higher recycled material usage norms within textile and apparel manufacturing.
- This creates a significant opportunity for India to emerge as a reliable global hub for recycled textile manufacturing and sustainable exports.

## Strategic Importance for India

- Recycling-based industries can help reduce dependence on imported crude-linked raw materials.
- The sector can strengthen India's circular economy ecosystem while generating export earnings and foreign exchange inflow.
- The industry has strong potential for large-scale employment generation for unskilled, semi-skilled, and women workforce.
- The sector can attract export-oriented investment, FDI, and global sourcing partnerships under SEZ framework.
- Promotion of recycling-based industries can support:
  - Recycled yarn manufacturing
  - Upcycled fashion exports
  - Industrial textile recycling
  - Shoe recycling

- Circular economy-led manufacturing ecosystem

- Increased adoption of recycled textile manufacturing can contribute towards future ESG-linked investment opportunities and sustainability-driven industrial growth.
- Timely policy support can help India emerge as a globally competitive leader in sustainable textile recycling and circular economy manufacturing.

Yours faithfully,

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# Potential Impact on India

## Employment Opportunity

- Potential to generate 20,000+ direct employment opportunities.
- Strong employment generation for unskilled and semi-skilled workforce.
- Women workforce participation potential exceeding 70% across operational activities.
- Strong potential to support MSME growth, cluster-based industrial development, semi-urban industrial employment, and sustainable manufacturing ecosystems.

## Investment Opportunity

- Potential to attract more than USD 500 Million in export-oriented industrial investment.
- Strong opportunity for recycling-focused industrial investments and sustainability-linked manufacturing investments.
- Existing ecosystems such as Panipat provide strong scalability and industrial foundation for rapid sectoral expansion.

## Foreign Exchange Earnings Opportunity

- If current industry barriers are rationalized, the sector has the potential to generate approximately USD 600–700 Million in annual foreign exchange inflow.
- Strong export opportunities across Africa, Middle East, South America, and emerging sustainable textile markets.
- Potential for India to emerge as a globally competitive leader in textile segregation, recycling, and circular economy-led exports.

## Industrial & Strategic Opportunity

- Industry supports development of recycling ecosystems, recycled yarn manufacturing, upcycling industries, and circular economy-led manufacturing ecosystems.
- Global textile markets are rapidly shifting towards sustainable manufacturing, recycled textile products, ESG-compliant supply chains, and circular economy integration.
- International businesses are actively seeking stable and reliable manufacturing and recycling partners under the evolving China+1 supply chain transition.
- India possesses strong advantages including cost competitiveness, large workforce availability, existing recycling ecosystems, export infrastructure, and stable governance and policy environment.

## Clarification of Industry Intent

- We are not seeking unrestricted DTA sales.
- We are proposing to establish segregation and processing units within SEZs.

- The business model is primarily export-oriented.

Regards,

**Hitesh Gidwani**
Director – Gidwani Group
Phone Number: +91 9327746455
Office Address: 804, A Block Samarpan Tower, Naranpura, Ahmedabad

**Date: 24th June 2026**

**To**
The Director General
Export Promotion Council for EOUs and SEZs (EPCES)

**Subject: Policy Representation for Allowing Subcontracting / Job Work by SEZ Units for Domestic Tariff Area (DTA) Sale and Consumption**

**Respected Sir,**

MTPL has established a state-of-the-art greenfield tyre manufacturing facility at Panoli, Gujarat, during FY 2020–21. The facility, spread across 127 acres, has an installed capacity of 80,000 MT, with an ongoing expansion plan to increase capacity to 100,000 MT by 2027.

The company manufactures tyres catering to key segments including Agriculture, Construction, Industrial, Earthmoving, Material Handling, and Forestry. Over the last five years, MTPL has developed a portfolio of more than 1,000 tyre variants and exports its products to over 90 countries under the *Ascenso* brand, ranking among the leading exporters of off-highway tyres from India.

**Existing Regulatory Framework**

As per **Rule 43 of the SEZ Rules, 2006**, SEZ units are permitted to undertake subcontracting/job work for DTA units strictly for export purposes. The provision requires that:

- Raw materials are supplied by the DTA unit; and
- The processed goods are exported out of India.

At present, the Rules do not permit SEZ units to undertake subcontracting/job work where the processed or semi-finished goods are returned to DTA units for domestic sale and consumption.

**Issue for Consideration**

The existing restriction limits the ability of SEZ units to optimally utilize their installed capacity, despite having access to advanced infrastructure, skilled manpower, and operational efficiencies.

Given the evolving global trade environment, including tariff-related uncertainties and geopolitical disruptions, it is becoming increasingly critical for SEZ-based manufacturers to have access to domestic markets on equitable terms with DTA-based units.

It is proposed to regard the said transaction as an export of services in terms of Section 2(z) of the SEZ Act. Accordingly, invoices will be issued in foreign currency, and the consideration will be realized in convertible foreign exchange through regular banking channels.



***Mahansaria Tyres Pvt. Ltd.*** *(Formerly Know as Keshav Properties Pvt Ltd)*
***Factory:*** Plot No.3551 B, HBS-SEZ, GIDC, Panoli, District Bharuch, Gujarat 394 116, India.
***Regd. & Corporate Office :*** 301-304, 3rd Flr, Peninsula Chambers, Peninsula Corporate Park, G K Marg, Lower Parel (W), Mumbai-400 013, India
T: +91 22 4348 1600 W: ascensotyres.com **CIN No. :** U25111MH2014PTC257968

**Impact of the Current Restriction**

The continued prohibition on subcontracting for domestic consumption leads to:

- Underutilization of manufacturing capacity in SEZ units, At Present we are utilizing only 70% of manufacturing capacity.
- Reduced scope for employment generation and industrial expansion. At present
- Inability to achieve economies of scale and cost competitiveness
- Diminished attractiveness of SEZs for future investments in export-oriented manufacturing

In light of the above, it is humbly requested that the Government may consider **amending the relevant provisions under the SEZ Rules, 2006**, to:

Permit SEZ units to undertake subcontracting / job work for DTA units, where the processed goods are returned to the DTA for domestic sale and consumption, subject to appropriate safeguards and duty implications.

Such a policy measure would result in:

- Enhanced capacity utilization in SEZ units
- Increased domestic value addition and manufacturing output
- Generation of employment opportunities
- Availability of cost-effective products to Indian consumers, including farmers
- Improved ease of doing business and operational flexibility
- Strengthening the global competitiveness of India's manufacturing sector

We request EPCES to kindly examine the above concerns and support this representation by taking up the matter with the Ministry of Commerce and Industry for necessary policy consideration.

We would be grateful for an opportunity to present our views in person

**Thanking you,**

Yours sincerely,

For **Mahansaria Tyres Private Limited**

Talasu Prasanna Kumar Patro

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Date: 2026.06.24 19:12:36 +05'30'

**Chief Financial Officer**

Date: 24th Jun,2026

To
The Director General
Export Promotion Council for EOUs and SEZs

**Subject: Representation on allowing sale of restricted Item in domestic tariff area (DTA) by SEZ Units in Tyre Manufacturing Sector.**

Respected Sir,

Mahansaria Tyres Private Limited (MTPL) established a greenfield tyre manufacturing facility in Panoli, Gujarat, India, during FY 2020–21. Spread across 127 acres, the state-of-the-art plant was developed in two phases with an initial designed capacity of 80,000 MT per annum. MTPL is currently in the process of expanding production capacity further to 100,000 MT by 2027.

Under its flagship brand "ASCENSO", MTPL presently caters to the needs of the following key global segments: Agriculture, Industrial & Construction, Earth Mover, Material Handling, and Forestry and in future, plans to manufacture other varieties of tyres.

MTPL is presently the sole operational manufacturing unit in the HBS Auto and ANIC SEZ Pvt. Ltd., Panoli, Gujarat. The Company's contribution to exports, investment, employment generation and growth of the SEZ ecosystem has been recognized by the office of the Development Commissioner, Kandla Special Economic Zone (KASEZ). MTPL has been honoured twice with the award for **"Best Growth SEZ among Private SEZs"**

In our journey over the last 5 years, we have added 1000+ tyre sizes to our portfolio. MTPL (Ascenso brand) is now present in 90 plus countries and we are the 3rd largest exporter of Agriculture and industrial /construction tyres from India with annual exports exceeding INR 1000 cr. We not only offer a wide range of tyres across applications but also customize solutions to suit specific customer requirements or applications.

Despite these achievements, SEZ-based tyre manufacturers face a critical regulatory anomaly. Certain tyre categories permitted for production within SEZs are classified as "restricted" for import into India. As a result, sales of these products into the Domestic Tariff Area (DTA) are disallowed, as such transactions are treated as imports.

| HS Code | Description | Import Policy |
|---|---|---|
| 4011 | New pneumatic tyres, of rubber. | |
| 401110 | Of a kind used on motor cars (including station wagons and racing cars) Radials / Other | Restricted |
| 40114010 | for motorcycles | Restricted |
| 40114020 | for motor scooters | Restricted |
| 401150 | Of a kind used on bicycles | Restricted |
| 40117000 | Of a kind used on agricultural or forestry vehicles and machines | Free |
| 40118000 | of a kind used on construction, mining or industrial handling vehicles and machines | Free |



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As a result, SEZ units manufacturing these tyres in India are not permitted to sell them into the DTA, since such sales are treated as imports, despite being manufactured within India.

This creates a clear inconsistency:

- Products manufactured in India are denied access to the domestic market.
- SEZ units are disadvantaged compared to DTA manufacturers.
- Business efficiency is impacted due to inventory constraints and demand fluctuations.

Given the current global uncertainties, including evolving trade dynamics and geopolitical disruptions, it is essential for SEZ units to have the flexibility to serve the domestic market on equitable terms.

The present restrictions lead to:

- Underutilization of manufacturing capacity. At present we are operating at 70% of our capacity.
- Reduced employment potential
- Constrained investment in export-oriented manufacturing
- Sub-optimal operational efficiency within SEZs

Allowing DTA sales of such products, subject to applicable duties and compliance, will:

- Strengthen domestic manufacturing under the *Make in India* initiative
- Enhance capacity utilization, value addition, and job creation
- Improve cost competitiveness for Indian consumers
- Boost the global competitiveness of India's tyre industry

We request EPCES's support in representing this matter before the Ministry of Commerce at the earliest.

Please give us an opportunity to meet personally and discuss these issues in detail.

Thanking you,

Yours sincerely

For **Mahansaria Tyres Private Limited**

Talasu Prasanna Kumar Patro

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Date: 2026.06.24 19:18:41 +05'30'

**Chief Financial Officer**



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# CG SEMI PRIVATE LIMITED

Date: 24.06.2026

To,
The Director General,
Export Promotion Council for EOUs and SEZs (SEZEPC)
Flat No. 101 A, 10th Floor,
Himalaya House, 23, Kasturba Gandhi Marg,
**New -Delhi 110001**

**Subject: Representation for key areas requiring Consideration under the respective Indian taxation Law for OSAT Semiconductor Industry:**

Respected Sir,

We, **CG Semi Private Limited**, having our registered office and **pilot plant** at Plot No. 712 & 713, Sanand-II GIDC Industrial Estate, Near Overhead Tank, Village Hirapur, Taluka Sanand, Ahmedabad, Gujarat – 382170, operate under the **MOOWR Scheme** administered by Customs authorities.

Further, the Company has its **main manufacturing facility** located at Plot Nos. 974 to 978, Sanand-II GIDC Industrial Estate, Village Hirapur, Taluka Sanand, Ahmedabad, Gujarat – 382170, which operates under the **Special Economic Zone (SEZ) Scheme** as an **Outsourced Semiconductor Assembly and Test (OSAT)** unit in the semiconductor industry.

We applaud the ongoing efforts to promote the Semiconductor and Display Ecosystem, aligning with the vision of our Hon'ble Prime Minister to position India as a global hub in this sector. In support of the semiconductor industry and the "Make in India" initiative for chip manufacturing, the Government of India and Export Promotion Council for EOUs and SEZs (SEZEPC) through the Ministry of Commerce & Industry, has been making consistent efforts, in alignment with this vision and to contribute to the nation's growth.

Further, to strengthen and align the various schemes covered under the agenda for the SEZ 2.0 Policy, an initiative has been taken to constitute a committee for undertaking a background study focused on the harmonization of the existing export promotion schemes, including SEZs, EOUs, MOOWR, Advance Authorization, EPCG, and DFIA. The committee has been entrusted with preparing and submitting a concept paper recommending a roadmap for broad-based and comprehensive reforms for the formulation of the SEZ 2.0 Policy.

ssIn view of the above, **CG Semi** is submitting the following key recommendations relating to the **MOOWR** and **SEZ** schemes:

## A. Customs Act and Manufacture and Other Operations in Warehouse Regulations (MOOWR):

### A.1. MOOWR Unit - No Depreciation benefits on Capital Goods:

In terms of Section 65 of the Customs Act, 1962, the MOOWR Scheme permits the use of capital goods for manufacturing and other operations in a bonded warehouse. Customs duty on such capital goods becomes payable only at the time of their clearance into the Domestic Tariff Area (DTA) through the filing of an Ex-Bond Bill of Entry for home consumption. The duty is required to be paid on the assessable value determined at the time of the import of the capital goods under the MOOWR Scheme. Whereas comparable schemes such as SEZ and EOU expressly allow depreciation on capital goods at the time of exit or debonding, recognizing the diminished value of used machinery imported duty free under customs control. Denial of depreciation under MOOWR, while allowing the same benefit under SEZ and EOU, leads to anomalous and discriminatory treatment of similarly placed assesses, contrary to principles of equity, consistency, and trade facilitation.

Considering that the OSAT industry predominantly relies on entirely imported capital goods, spare parts tools etc., restoration of depreciation under MOOWR would ensure parity across schemes without imposing any additional revenue burden.

### A.2. Allowing zero rated GST benefits on domestic procurements of Goods and service and import services imported under MOOWR:

Under the current MOOWR framework, GST is applicable and levied on domestic procurement of goods, services, and import services, unlike SEZ and EOU units, which enjoy zero-rated and/or deemed export benefits. This results in significant working capital blockage and additional financial burden on the industry, particularly in the semiconductor sector, which relies heavily on high-value components.

Accordingly, it is requested that the MOOWR Scheme be strengthened by extending zero-rating benefits, similar to those available to SEZs and EOUs, for semiconductor manufacturing units operating under MOOWR. This would ensure an uninterrupted input tax credit chain, reduce working capital requirements, and enhance the global competitiveness of the industry.

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**A.3. Lack of Clarity for import of indirect materials, consumables and chemicals under MOOWR:**

The OSAT industry lacks clarity regarding the eligibility of importing indirect materials, consumables, and chemicals under the MOOWR Scheme. In the manufacturing process, such materials are indispensable and are fully consumed an/or arise as scrap items (after useful life i.e dicing blades) during the manufacturing of resultant goods.

If these items are generally imported under home consumption Bills of Entry, and the applicable customs duties are paid at the time of import. Since units operating under the MOOWR Scheme are typically not eligible to claim Duty Drawback benefits on exports, the duties paid on such indirect consumables become an additional cost to the manufacturer, thereby adversely affecting export competitiveness.

It is therefore recommended that suitable clarification be issued confirming the eligibility of importing such indirect materials, consumables, and chemicals under the MOOWR Scheme. Alternatively, a duty exemption mechanism may be provided for such items that are necessarily consumed in the OSAT manufacturing process.

**A.4. Endorsement/mentioning of Inputs and consumables (Direct & Indirect Materials) in export shipping bills:**

There is a lack of clarity under the MOOWR Scheme regarding the declaration/endorsement of direct and indirect inputs and consumables used in the manufacture of finished goods exported through shipping bills.

Clarification is required on whether such inputs and consumables are required to be declared in shipping bills and, if so, the manner and extent of such declaration, especially where numerous imported materials are directly or indirectly consumed in the exported goods. At present, no specific procedure or guidance is available on this aspect. Requiring disclosure of all such inputs in shipping bills would result in significant compliance burden and operational challenges for industry.

It is recommended that suitable circular/clarification require to be issued that the inputs and consumables which are entirely consumed in the manufacturing process and/or physically exported as part of the finished goods need not be declared

separately in shipping bills. Their utilization may instead be reported through MOOWR returns (Annexure-B), and the corresponding duty credit to be permitted based on such reporting.

## B. Special Economic Zone (SEZ) related Recommendations:

### B.1. Toll manufacturing/Job work to be allowed for Domestic Customer.

As of now Toll manufacturing/Job work is allowing only for overseas customer in terms of Rule 18(6) of SEZ Rules, 2006. However, Job work/sub-contracting for domestic customers is not permitted as of now. In order to broaden Sem-conductor ecosystem further which is very important from Country's domestic requirement of Chips such Job work/sub-contracting for Domestic customer is very much needed.

Thus, specified above, it is requested that the necessary amendment to be made in Rule 18(6) of the SEZ Rules, 2006, which allow for domestic customer for job work/toll manufacturing in SEZ without linkage to exports considering.

### B.2. Relaxation for NFE for Semi-Conductor Industry to achieve positive NFE:

In terms of Rule-53 of the SEZ Rules, 2006, the SEZ unit need to achieve positive NFE to be calculated cumulatively for a period of five years from the commencement of production.

Recommend suitable amendment in rules for newly established semiconductor industry for requirement to achieve positive NFE time limit by extending the period from 5 years to **10 years**, considering the significant reliance on imported equipment and raw materials for our industry and OSAT sale cycle is typically 18-24 months and likely longer for greenfield locations in India.

### B. 3. Relaxation for NFE for Domestic Sales from SEZ:

In terms of Rule 53 of the SEZ Rules, 2006, the SEZ units are required to maintain positive Net Foreign Exchange (NFE) earnings.

However, in cases where SEZ units are required to supply goods (owing to SEZ unit) to DTA units to meet domestic demand, relaxation in the computation of NFE should

be provided, irrespective of whether the billing is done in INR or foreign currency (FC), which will also beneficial to the ultimate Indian manufacturing sector, which require the IC Chips.

Such relaxation would help balance regulatory compliance requirements while supporting the growth and sustainability of the semiconductor industry operating from SEZs.

Thus, as specified above, and given the strategic importance of semiconductor manufacturing in India's economic and technological development, the above requests are aimed at ensuring a conducive regulatory environment.

**B.4. SEZ to DTA sale attract Customs Duty on transactional value:**

SEZ Units are require to pay applicable full customs duty on goods removed from SEZ to unit located in DTA (India). However, other scheme like EOU and MOOWRs are paying duty on **foregone basis** on imported raw materials consumed in FG while removed to unit in DTA. Due to this inconsistency in scheme, SEZ goods sold in India is costlier as compare to another scheme.

Further, where goods supplied from an SEZ to the DTA units, which are exempt from customs duties under the applicable provisions of the Customs Act.

Therefore, to align with other scheme such as MOOWR and EOU scheme, suitable amendment to be bring in SEZ Act and Rules.

**C. Goods and Service Tax Act, 2017 (GST):**

**C.1 Export of Service treatment for Toll Manufacturing/Job Work service where the goods are delivered in India and consideration received from overseas principal:**

In a toll manufacturing model / contract manufacturing service model:

The Indian entity is providing a service (processing/assembly/testing), whether it is turnkey or testing. The goods belong to the foreign principal. The consideration is received in foreign exchange. The place of supply should ideally be determined based

on the recipient of service (foreign entity), not on the ultimate destination of goods. Internationally, toll manufacturing services are treated as services supplied to the foreign principal, irrespective of where goods are finally consumed.

The current GST treatment as per Section 13(3) of the IGST Act, 2017, which links taxability to the domestic consumption of goods, does not align with the economic substance of the transaction, the objective of promoting high-technology manufacturing in India. The policy vision of "Make in India" and Semiconductor Mission.

**Our Representation & Suggested Amendment:** We respectfully propose that the GST law be suitably amended or clarified to provide 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, shall be treated as export of services, irrespective of whether the processed goods are ultimately sold within India or outside India.

**Alternatively:**

A specific exemption/zero-rating provision may be introduced for toll manufacturing services in semiconductor and strategic electronics sectors. A clarification may be issued stating that domestic consumption of goods shall not alter the export nature of the processing service, provided all other conditions of export of services are satisfied.

We appreciate the continued support of the Ministry of Commerce, Government of India and SEZEPC in fostering an enabling ecosystem and seek your kind consideration for these amendments, suitable clarifications in law at the earliest.

Thanking you in anticipations.

Yours Faithfully,
**For, CG Semi Private Limited**

**Nitesh Radadiya**
**Lead - Indirect Taxation**

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# M/s INNOVATIVE CLAD SOLUTIONS PRIVATE LIMITED

Plot No. M7, Indore Special Economic Zone, Pithampur, Dist. Dhar

Ref. No.: ICSPL/SEZ/2025-26/01

Date: 24 June 2026

**To,**

The Chairman / Executive Director,

Export Promotion Council for EOUs and SEZs (SEZEPC),

6th Floor, Surya Kiran Building, 19, K.G. Marg,

New Delhi – 110 001.

**Subject:** Representation for Amendment to Rule 41(1)(f) of the Special Economic Zones Rules, 2006 – Extension of Subcontracting Relaxation to MSME SEZ Units.

**Respected Sir/Madam,**

**M/s Innovative Clad Solutions Private Limited** respectfully submits this representation to the Export Promotion Council for EOUs and SEZs (SEZEPC) for onward forwarding to the Ministry of Commerce and Industry. The undersigned unit is an MSME SEZ unit situated at Plot No. M7, Indore Special Economic Zone, Pithampur, District Dhar. This representation seeks a facilitative amendment to **Rule 41(1)(f) of the Special Economic Zones Rules, 2006**, with the objective of enabling MSME SEZ units to avail subcontracting relaxations at par with larger manufacturing units.

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## I. BACKGROUND AND EXISTING REGULATORY PROVISION

**Rule 41(1)(f) of the Special Economic Zones Rules, 2006** prescribes the conditions under which an SEZ unit may sub-contract its production or production processes. An SEZ unit is required to obtain **prior permission** for subcontracting, subject to the following consolidated value cap:

> **Extract – Rule 41(1)(f) of the SEZ Rules, 2006:**
> *"In any financial year, the consolidated value of the sub-contracted part of production of a unit and of the sub-contracted production process of a unit shall not exceed the total value of goods cleared by the unit either for exports or for sale in Domestic Tariff Area in the immediately preceding financial year."*

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## II. POLICY RATIONALE – OBJECTIVE OF THE SEZ SCHEME

The core objective of the Special Economic Zone (SEZ) Scheme, as envisaged under the Special Economic Zones Act, 2005, was to create a facilitative and business-friendly regulatory framework that offers greater operational flexibility compared to the Domestic Tariff Area (DTA). The scheme was conceptualised to:

- Simplify procedural requirements and reduce regulatory bottlenecks;
- Create an enabling environment for industries to flourish and grow;
- Promote exports and earn valuable foreign exchange for the country;
- Attract domestic and foreign investment into export-oriented manufacturing.

In the present dynamic global trade environment, it is imperative that operational regulations are periodically reviewed and rationalised so that SEZ units are able to execute export orders efficiently and remain globally competitive.

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## III. INTENT BEHIND SUBCONTRACTING INSTRUCTIONS

The intent behind the Instructions and Circulars issued relating to subcontracting permissions is to ease procedural requirements for manufacturing units with substantial production volumes. Such Instructions are issued under the powers vested in the SEZ Act, 2005 to address practical challenges faced by industry stakeholders and to enhance ease of doing business within SEZs.

**Instruction No. 78** issued by the Ministry in this regard was originally envisaged primarily for large manufacturers. There have been several precedents where the Ministry has adopted a pragmatic and facilitative approach while issuing clarifications and operational relaxations under the SEZ framework. The undersigned unit respectfully submits that extending this facilitation to the MSME segment is both equitable and consistent with the spirit of such Instructions.

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## IV. CHALLENGES FACED BY MSME SEZ UNITS

The current economic environment presents significant and unique challenges for the MSME sector operating within SEZs, particularly in terms of:

| # | Challenge Area | Description |
|---|---|---|
| 1 | **Limited Production Capacity** | MSME SEZ units have constrained in-house capacity and cannot independently scale production to meet large or sudden export orders without subcontracting. |
| 2 | **Export Competitiveness** | Inability to subcontract efficiently prevents MSMEs from fulfilling time-bound global supply chain commitments, resulting in loss of orders to foreign competitors. |

| 3 | **Value Cap Restriction** | The current consolidated value cap under Rule 41(1)(f) is based on preceding year clearances, which for new or small MSME units can be disproportionately low, thereby restricting subcontracting even for genuine operational needs. |
|---|---|---|
| 4 | **Employment & Economic Impact** | MSMEs are the largest employers in the manufacturing sector. Regulatory constraints limiting their growth directly affect employment generation and economic activity in SEZ catchment areas. |
| 5 | **Procedural Burden** | The requirement for prior permission and strict value caps creates procedural uncertainty and delays for MSME units seeking to fulfil export orders on short notice. |

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## V. THE SPECIFIC REQUEST – NATURE OF AMENDMENT SOUGHT

In view of the above, and in the broader interest of strengthening MSME-led export growth within SEZs, it is humbly requested that:

1. MSME SEZ Units may be brought within the ambit of **Instruction No. 78** issued under the SEZ Act, 2005, while retaining all existing conditions and safeguards prescribed under the said Instruction.
2. Alternatively, a suitable amendment may be considered to **Rule 41(1)(f) of the SEZ Rules, 2006** to provide MSME SEZ units a relaxed or rationalized consolidated value cap for subcontracting, commensurate with their scale of operations and export potential.
3. The relaxation may be subject to the following safeguards to ensure compliance and prevent misuse:
   - All existing conditions prescribed under Instruction No. 78 shall remain fully applicable;
   - Subcontracting to be permitted only to DTA units / other eligible entities as prescribed under extant Rules;
   - All sub-contracted goods/processes to be subject to proper documentation and reporting obligations;
   - Development Commissioner to retain oversight and audit authority.

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## VI. JUSTIFICATION AND POLICY CONSISTENCY

It is respectfully submitted that this request is:

- Consistent with the original intent and philosophy of the SEZ Policy Framework, which aims to promote exports and provide a facilitative environment;
- In alignment with the Government's policy thrust towards strengthening the MSME sector through various support measures including the Atmanirbhar Bharat initiative and MSME development programmes;
- Supported by precedents of facilitative Ministerial clarifications and operational relaxations under the SEZ framework that have been issued in the past;

- Administratively feasible, since the existing compliance and documentation framework under Instruction No. 78 already provides adequate safeguards that can be readily extended to MSMEs;
- Aligned with India's broader trade policy objectives of enhancing export volumes, diversifying the export basket, and improving the participation of smaller enterprises in global value chains.

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## VII. CONCLUSION AND PRAYER

**M/s Innovative Clad Solutions Private Limited** earnestly requests the Ministry to kindly consider this representation sympathetically and take appropriate steps to facilitate the proposed amendment to Rule 41(1)(f) of the SEZ Rules, 2006 and/or issuance of an Instruction / Circular extending the benefit of Instruction No. 78 to MSME units operating within SEZs.

Such a measure would provide meaningful support to smaller units striving to enhance their manufacturing capacity, meet export commitments, and contribute to India's export growth story. The Council assures the Ministry of its full cooperation in implementing any conditions or safeguards that may be deemed necessary in this regard.

*We shall be grateful if the competent authority may kindly grant an opportunity for a personal interaction to elaborate on the industry's perspective and operational imperatives.*

Yours faithfully,

INNOVATIVE CLAD SOLUTIONS P. LTD. * PITHAMPUR *

(Ashok Sahu)

Authorised Signatory

**M/s Innovative Clad Solutions Private Limited**

**SEZ Unit, Plot No. M7, Indore SEZ**

Pithampur, Dist. Dhar (M.P.)