

EPCES NEWS

Volume : 23 Issue : 11

October-December 2022



Stakeholders Consultations
on DESH Bill



India-Australia ECTA
Comes into Force



The transition of Customs Administration
from SEZ online to ICEGATE -
Stakeholders Consultations

ZONE WISE EXPORTS

APRIL TO DECEMBER (FY-2022-23 VS FY-2021-22) 1-22)

ZONE NAME	MERCHANDISE EXPORTS FROM APRIL TO DECEMBER (FY-2022-23 VS FY-2021-22)							
	FY-2022-23		FY-2021-22		ACTUAL CHANGE		PERCENTAGE CHANGE	
	INR (Rs. In Cr.)	USD (In Million)	INR (Rs. In Cr.)	USD (In Million)	Change In Inr	Change In Usd	Inr terms	Usd terms
KANDLA SPECIAL ECONOMIC ZONE	₹ 2,40,957	\$30,728	₹ 1,57,827	\$21,481	₹ 83,130	\$9,247	53%	43%
VISHAKHAPATNAM SPECIAL ECONOMIC ZONE	₹ 35,500	\$4,516	₹ 28,441	\$3,871	₹ 7,059	\$645	25%	17%
DC SEEPZ SEZ MUMBAI	₹ 32,629	\$4,153	₹ 30,484	\$4,150	₹ 2,145	\$4	7%	0%
FALTA SPECIAL ECONOMIC ZONE	₹ 20,159	\$2,570	₹ 18,036	\$2,455	₹ 2,123	\$116	12%	5%
MEPZ SPECIAL ECONOMIC ZONE	₹ 19,461	\$2,471	₹ 15,090	\$2,054	₹ 4,371	\$417	29%	20%
NOIDA SPECIAL ECONOMIC ZONE	₹ 16,694	\$2,126	₹ 15,278	\$2,081	₹ 1,415	\$45	9%	2%
COCHIN SPECIAL ECONOMIC ZONE	₹ 10,904	\$1,389	₹ 9,205	\$1,254	₹ 1,699	\$135	18%	11%
GRAND TOTAL	₹ 3,76,304	\$47,954	₹ 2,74,362	\$37,346	₹ 1,01,942	\$10,608	37%	28%

ZONE NAME	SOFTWARE AND SERVICE EXPORTS FROM APRIL TO DECEMBER (FY-2022-23 VS FY-2021-22)							
	FY-2022-23		FY-2021-22		ACTUAL CHANGE		PERCENTAGE CHANGE	
	INR (Rs. In Cr.)	USD (In Million)	INR (Rs. In Cr.)	USD (In Million)	Change In Inr	Change In Usd	Inr terms	Usd terms
COCHIN SPECIAL ECONOMIC ZONE	₹ 1,55,326	\$19,696	₹ 1,30,503	\$17,737	₹ 24,823	\$1,960	19%	11%
MEPZ SPECIAL ECONOMIC ZONE	₹ 1,08,002	\$13,678	₹ 86,184	\$11,713	₹ 21,818	\$1,965	25%	17%
DC SEEPZ SEZ MUMBAI	₹ 1,05,829	\$13,411	₹ 88,907	\$12,086	₹ 16,922	\$1,324	19%	11%
VISHAKHAPATNAM SPECIAL ECONOMIC ZONE	₹ 92,758	\$11,728	₹ 71,485	\$9,715	₹ 21,273	\$2,013	30%	21%
NOIDA SPECIAL ECONOMIC ZONE	₹ 54,302	\$6,893	₹ 44,076	\$5,991	₹ 10,226	\$901	23%	15%
FALTA SPECIAL ECONOMIC ZONE	₹ 17,357	\$2,200	₹ 15,736	\$2,139	₹ 1,621	\$62	10%	3%
KANDLA SPECIAL ECONOMIC ZONE	₹ 5,986	\$758	₹ 4,702	\$639	₹ 1,284	\$119	27%	19%
GRAND TOTAL	₹ 5,39,560	\$68,363	₹ 4,41,593	\$60,019	₹ 97,967	\$8,344	22%	14%

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Stakeholders Consultations

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EPCES NEWS

A Newsletter by Export Promotion Council for EOUs & SEZs (Set up by Ministry of Commerce and Industry, Government of India)

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Bhuvnesh Seth
Chairman, EPCES

Alok Vardhan Chaturvedi
Director General, EPCES

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Dear Friends



Bhuvnesh Seth
Chairman, EPCES

*I wish you all
a very happy, healthy and
prosperous New Year*

*You will be happy to note that
the Department of Commerce
and EPCES organised
another limited stakeholder
consultation on Development
of Enterprises and Services
Huns (DESH) Bill, 2022 on
3.12.2022 which was chaired
by Shri L Satya Srinivas,
Additional Secretary (SEZ),
D/o Commerce himself and
was attended by more than
70 participants.*

Global trade continues to suffer due to decrease in demand following tightened financial conditions and heightened inflation and continued disruptions to global supply chains due to ongoing Russia-Ukraine war. Severe covid situation in China has created further uncertainty.

Growth in India's merchandise export during April-Dec 2022 further moderated to 9% on YoY basis from 15.54% upto September 2022 and 24.5% upto June 2022 after an unprecedented growth of 43% in FY 22. In fact, merchandise exports in December 2022 decreased by 12.2% as compared to December 2021. On the other hand, merchandise imports during April-December 2022 have increased by 25% resulting in a merchandise trade deficit of USD 218.94 billion as compared to USD 136.45 billion in April-December 2021.

As regards SEZs, merchandise exports increased by 28% and Services exports by 14% during April-December 2022 on YoY basis.

You will be happy to note that the Department of Commerce and EPCES organised another limited stakeholder consultation on Development of Enterprises and Services Huns (DESH) Bill, 2022 on 3.12.2022 which was chaired by Shri L Satya Srinivas, Additional Secretary (SEZ), D/o Commerce himself and was attended by more than 70 participants. The objective was to get the feedback of SEZ stakeholders on the concerns raised by the D/o Revenue on the

proposal of the D/o Commerce. In view of difficulties being faced in enactment of the proposed DESH Bill, EPCES has suggested the Ministry to go for need based amendments in the existing SEZ Act and Rules wherever there is consensus.

On the request of EPCES, another stakeholder consultations was organised on 22.12.2022 regarding amendment in SEZ Rules for enabling transition of Customs Administration from SEZ Online to ICEGATE as announced by Hon'ble Finance Minister in the budget speech. Many SEZ units have raised concerns regarding amendments proposed for DTA procurement, Risk Management System, multiple reporting platforms, etc. which were discussed in detail.

As regards RoDTEP for SEZs and EOU's, the RoDTEP Committee appears to have submitted its recommendations. The Government will take a view on the recommendations. Let's hope that the Government will announce the RoDTEP rates for SEZs/EOUs at the earliest.

I hope you will find this edition informative and interesting. I will be eager to hear your suggestions to make this magazine more meaningful and useful.

Happy New Year again !!!

With best wishes,

Bhuvnesh Seth



Alok Vardhan Chaturvedi
Director General, EPCES

As regards SEZs, growth in merchandise exports moderated to 28% during April to December 2022 with Kandla SEZ leading by a growth of 43%. Petrochemicals constituting 51% share of exports grew by 43%, Gems and Jewellery with a share of 12% grew by 12%, Pharma & Biotech with a share of 10% grew by 1% and Engineering sector with a share of 7.6% grew by 17%. Services exports from SEZs grew by a steady 14%.

Dear Members

As you all are aware, global growth is slowing sharply in the face of elevated inflation, higher interest rates, reduced investment, and disruptions caused by the ongoing Russia - Ukraine war. According to the World Bank, the global economy is projected to grow by 1.7% in 2023 (down from 3% expected 6 months ago), and 2.7% in 2024 (from 3% expected 6 months ago). The sharp downturn in growth is expected to be widespread, with forecasts in 2023 revised down for 95% of advanced economies and nearly 70% of emerging market and developing economies. As Governor RBI has pointed out that looking beyond the pandemic and the war, fragmentation in trade, finance and technology is also adding to the forces of de-globalisation. Supply chains are being redrawn on considerations of geopolitical security, leading to 'reshoring' and 'friend-shoring'.

As far as India is concerned, as per first Advance Estimates by the National Statistical Office, GDP growth for 2022-23 is estimated at 7% (RBI 6.8%). Slowdown in key export markets has affected India's merchandise exports which contracted by 12% in December 2022. The growth in merchandise exports during April-December 2022 moderated to 9%. Imports have grown by 25.5% during the same period. Merchandise trade deficit has widened to USD 118.13 Billion as compared to USD 57.26 Billion last year during April to December period.

As regards SEZs, growth in merchandise exports moderated to 28% during April to December 2022 with Kandla SEZ leading by a growth of 43%. Petrochemicals constituting 51% share of exports grew by 43%, Gems and Jewellery with a share of

12% grew by 12%, Pharma & Biotech with a share of 10% grew by 1% and Engineering sector with a share of 7.6% grew by 17%. Services exports from SEZs grew by a steady 14%.

EPCES has been increasingly organising stakeholder's consultation in association with the Department of Commerce. On 1.12.2022, another stakeholder consultation on the proposed DESH Bill was organised under the chairmanship with Shri L Satya Srinivas, Additional Secretary(SEZ) for getting the feedback on the concerns raised by the D/o Revenue. On 22.12.2022, a seminar was organised on the proposed amendments in the SEZ Rules for transition of Customs Administration from SEZonline to ICEGATE.

EPCES has requested the D/o Commerce to bring reforms through minor amendments in the existing SEZ Act and Rules rather than enacting a new DESH Act.

It has been learnt that the RoDTEP Committee has submitted its report regarding RoDTEP rates for SEZs and EOUs. Let's hope the Government takes an early decision in this regard.

Among our regular articles, you will find information about the status of issues taken by the EPCES with the Government, export data of SEZs, and details of queries answered by our knowledge partner in addition to activities at headquarter and Regional levels. We will be happy to hear from you for suggestions for improving the news magazine.

Happy New Year again !!!

With best wishes,

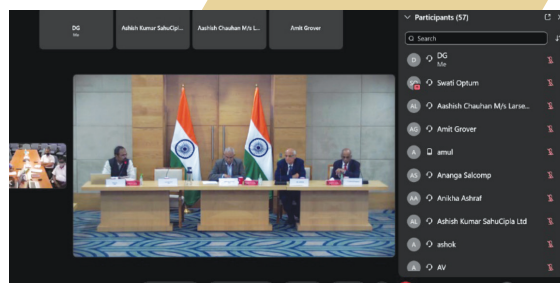
Alok V Chaturvedi

Stakeholders consultations by commerce ministry on the proposed development of enterprises and services hub (DESH)

A Workshop on the proposed Development of Enterprises and Services Hub (DESH) Bill, 2022 was organized by the Department of Commerce on 1st December 2022, in Vanijya Bhawan, New Delhi under the Chairmanship of Additional Secretary (SEZ) Shri L Satya Srinivas to have discussion on the DESH Bill with stakeholders from various segments. Development Commissioners of various zones were also present.



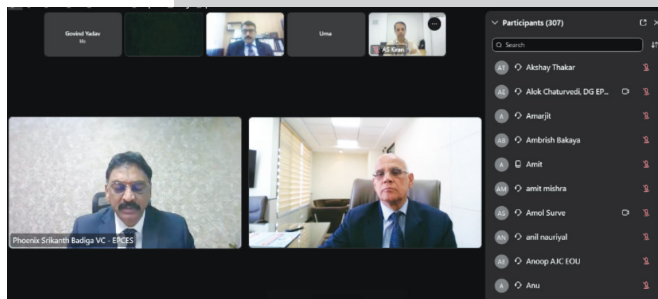
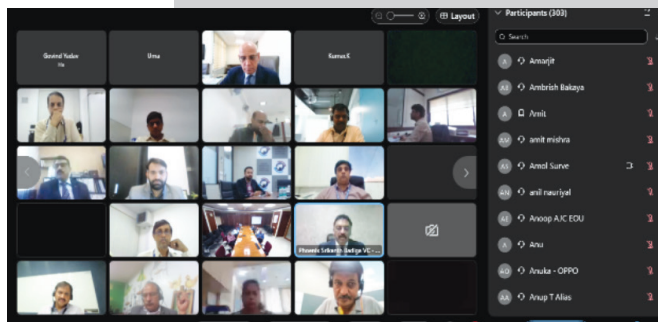
The workshop was co-organised with Export Promotion Council for EOUs and SEZs (EPCES) and was attended by Shri Srikanth Badiga, Vice Chairman, Shri Sunil Rallen, CGC member, Shri Vilas Gupta, CGC Member, Shri Sunil Puri, officiating Regional Chairman, NSEZ and approximately 70 participants online and offline representing various segments including SEZ Units, SEZ Developers and Government functionaries of Central and State Governments. Various aspects of the Bill were discussed and views on the same from stakeholders were shared.



Shri Satya Srinivas, Additional Secretary, in his keynote address stated that the draft DESH Bill was borne out of the learnings from the operations of SEZ law over more than a decade as well as from feedback from the stakeholders. The basic idea of the workshop to get the feedback of SEZ stakeholders on the concerns raised by the D/o Revenue on the proposals of the D/o Commerce. A presentation was made in this regard. The presentation highlighted the key concerns such as advantage to SEZ units vis-à-vis DTA units in case of supplies to DTA, proposed direct tax benefits, etc. Shri Alok Chaturvedi, DG, EPCES observed that this comparison of SEZ units with DTA units is a wrong approach. SEZs are basically regulatory labs where world class infrastructure and efficient regulation is attempted. It would be ideal if world class infrastructure and modern regulation can be provided throughout the country but that is difficult keeping in view the constraints of resource and socio-political considerations in having modern regulation. Therefore, these can be provided in a limited geographical area – SEZs. Further, SEZs should not be seen merely as export enclaves. They are “Special Economic Zone”. Investors would like to serve both domestic and export markets by a single unit in SEZ. It should be noted that value addition/manufacturing and employment generation are taking place in India and SEZs should not be treated as if they are situated outside India. Other participants also supported the approach of the D/o Commerce in relation to the concerns raised by the D/o Revenue.

Concluding the discussions, Shri Satya Srinivas, Additional Secretary, assured that the suggestions and comments by the stakeholders will be taken into consideration while responding to the concerns of the D/o Revenue.

Joint EPCES-MAIT Workshop on the proposed Development of Enterprises & Services Hubs Bill



MAIT is an apex industry body representing the Electronic H/W sector in India. As a not for profit body, MAIT closely works with policy makers of Central and State Government to enable the growth of the Electronic System H/W Design & Manufacturing sector in India. MAIT's members include Large & MSME Company's and Industries from the domain of OEM's, ODM's, EMS, Design Houses, Recyclers, PRO's, Testing Laboratories, and Sub-sectoral Associations. MAIT requested Export Promotion Council for EOUs & SEZs (EPCES) for conducting a webinar for their members on the proposed DESH bill. Accordingly, EPCES and MAIT jointly organised a Knowledge Session on 15th December 2022.

The session was opened by Shri Alok Chaturvedi, IAS (Retd), DG, EPCES, and moderated by Col. AA Jafri, Retd., DG MAIT. Mr. Srikanth Badiga, Group Director at PHOENIX GROUP, Vice Chairman, EPCES, and Mr. Sunil Rallan, CMD, J Matadee Free Trade Zone and CGC Member, EPCES gave a presentation delineating the salient features of the proposed DESH Bill. There was a huge interest and participation. It was attended by approximately 320 members, who actively participated and raised their queries during the session. DG, EPCES addressed the queries raised by the participants. It has been decided that MAIT and EPCES will organise more such sessions for the mutual benefit of their respective members.

PROMOTING EXPORTS THROUGH THE DESH BILL 2022

Arpita Mukherjee, Sunil Rallan & Nida Rahman

The draft DESH Bill (2022) has proposed for removal of the NFE criteria and has provisions addressing some of the most pressing concerns of SEZ units. While the Bill is the right step in terms of designing a policy on non-fiscal incentives, there is need for more clarity on the fiscal incentives for making it attractive to units

India has set an ambitious target of US\$ 1 trillion exports each of goods and services by 2030, aiming to position itself among the top 5 exporting countries in the world. Several initiatives and schemes have been launched to meet this target and among them, the Development of Enterprise and Service Hubs (DESH) Bill, 2022, is expected to give exports a boost. This Bill, which is planned to be tabled in the winter session of the Parliament, aims to re-visit the Special Economic Zone (SEZ) Policy, which has now come under the scanner of the World Trade Organization (WTO) Agreement on Subsidies and Countervailing Measures (ASCM) for providing export-linked prohibited subsidies. While ASCM tends to focus on fiscal incentives for manufacturing, treating them as actionable or prohibited subsidies based on certain conditions, many WTO countries today have reoriented their industrial cluster/SEZ policies to make them WTO compliant. The DESH Bill (2022) has been initiated to make industry clusters/SEZs in India WTO compliant.

- c) Promotion of investment from domestic and foreign sources;
- d) Creation of employment opportunities and
- e) Development of infrastructure facilities.[1]

To meet these objectives, certain fiscal and non-fiscal incentives were given to the developers and units in the zones vis-à-vis the DTA. The income tax benefits were conditional upon the units being net foreign exchange earners in five years, which is an export-linked prohibited subsidy under the ASCM.

WHY DO COUNTRIES NEED SEZS?

Globally, SEZs have been set up by countries to promote exports and attract investment by providing firms located inside the zones with certain financial and non-financial incentives, which are not available and/or different from those given to firms in the domestic tariff area (DTA). In India, too, the SEZ Act 2005 set out to achieve five objectives;

- a) Generation of additional economic activity;
- b) Promotion of exports of goods and services;



Even after the formation of the WTO, countries, especially developing and least developed countries, continued with policies to have some form of industrial zones. At the same time, they have tried to make their zones WTO compliant. In 2018, around 147 countries had SEZs, which increased from a meagre 29 SEZs in 1957.[2] India is among the pioneer countries in Asia to set up an SEZ as early as 1965 in Kandla (Gujarat).

As of June 30, 2022, India had 425 formally approved[3] SEZs, in which 268 SEZs were operational (which means that they had at least one unit). These included 25 multi-product SEZs and the rest are single-product SEZs, covering sectors such as Information Technology and Information Technology enabled services (IT/ITeS), electronic hardware, telecommunications, and gems and



jewellery. As on November 30, 2021, there were 5,604 units in Indian SEZs, contributing around 35% to total exports during FY 2020-21 and generating employment for 25,60,286 persons.[4]

THE JOURNEY OF THE DESH BILL (2022)

In March 2018, the United States of America (USA) challenged a number of export-linked incentives given under India's Foreign Trade Policy and the SEZ as prohibited subsidies in the WTO. India lost the case against the USA in October 2019, requiring the country to withdraw its export-linked subsidies. This has

prompted India to design incentives for industry clusters that are aligned with the WTO ASCM. While designing such incentives, it is also important to look at:

- Incentives given by competing countries and
- How incentives can help to increase global competitiveness of our firms and help them integrate into the global value chains.

To come up with a robust policy, the Government constituted a committee under the Chairmanship of Baba Kalyani, Chairman M/s. Bharat Forge, to study the SEZ policy of India in 2018. This Committee made several recommendations on how to change the SEZ policy. During her Union Budget 2022-23 speech, the Finance Minister, Honourable (Smt) Nirmala Sitharaman, announced the re-vamp of the present SEZ legislation with a new legislation allowing states to become partners in the DESH. Subsequently, the DESH Bill (2022) was introduced, which will be tabled at the winter session of Parliament in 2022. The DESH Bill (2022) proposes to create two kinds of development hubs – enterprise hub and the services hub. The core objective of the Bill is to provide “for the establishment, development and management of Development Hubs, including Special Economic Zones, as enclaves for the purposes of the promotion of economic activity, employment

generation, integration with global supply and value chains and maintenance of manufacturing and export competitiveness, development of infrastructure facilities, promotion of investments, and investment in research and development and for matters connected there with or incidental thereto”.

The DESH Bill (2022) removed the NFE criteria, which was making incentives given to SEZ prohibited under the ASCM. While the SEZ policy allowed workers from the DTA to do job work for units in SEZ, there is no clarity on reverse job work or on allowing the units in SEZs to undertake job work for the DTA; including after sales services and at the point-of-sale services. This is unlike

other countries like Turkey or some provinces in China, where a unit in an SEZ is allowed to cater to the DTA subject to payment of appropriate customs duties and internal revenue taxes. This allows more value addition in the country. The DESH Bill (2022) has the provision

of reverse job work, allowing units in SEZs to cater to the domestic tariff area. The Bill also seem to have more clarity on entry and exit of investors. Thus, the Bill seems to have address some of the concerns of the SEZ units.

SOME CONCERNS AND WAY FORWARD

While the DESH Bill (2022) proposes many non-fiscal incentives like allowing reverse job work for units in the SEZs, it lacks clarity on the fiscal incentives that will be provided to the SEZs units. Further, given that various fiscal incentives are available such as Remission of Duties and Taxes on Export Products (RoDTEP) and those under the Production Linked Incentives (PLI) Scheme, units may like to have clarity on what kind of fiscal incentives can be availed under the DESH Bill. At the same time any incentive given to any unit in an industry cluster need to be carefully designed to be WTO ASCM compliant. A region specific-subsidy can be actionable under the ASCM. With increasing servicification of manufacturing, subsidies can be given to the services used in manufacturing and since there is no discipline on subsidies in services, these can be WTO complaint.

The more important issue is the criteria or performance indicator for giving the subsidy. The DESH Bill (2022) mentions a number of performance indicators that can be considered. Criterion such as generation of additional economic activity and integration with global supply and value chains are difficult to measure. While creation of employment opportunities, can be measurable, generally subsidies are linked to creation of high quality job or skill upgradation in many countries. The subsidies could be designed based on specific parameters such as labour training, which can be WTO compliant.

Performance indicators like promotion of innovation and investment in Research and Development (R&D) require more clarity on measurability. Will the number of patents filed be considered a measure for innovation? Whenever a subsidy is provided, a budget is allocated for the same and to justify the budgetary allocation, three things need to be considered;

- i) The measurable performance indicator against which the subsidy will be pegged
- ii) An estimate of the amount of subsidy to be provided in the next 1-5 years, based on the measurable performance criteria and
- iii) An estimate of the projected gains to the country on giving the subsidy.



Without clarity on these points, it is difficult for the Ministry of Finance to have an estimate of the subsidy and the justification for the same.

To summarise, any region-based subsidy awarded to an industrial cluster is actionable under the WTO ASCM and hence it can be countervailed. Trading partners like the US will carefully watch how subsidies are given for units located in DESH. If subsidies are not carefully designed, they can be countervailed. Further, unless there is clarity on performance indicators against which fiscal incentives will be designed, units will not know what is expected from them and policymakers will not know the costs and benefit of the policy. While DESH Bill is the right step in terms of designing a policy on non-fiscal incentives, there is need for more clarity on the fiscal incentives for making it attractive to units.

Authored by **Arpita Mukherjee**, Professor, ICRIER; **Sunil Rallan**, Chairman and Managing Director, J Matadee Free Trade Zone Pvt Ltd; and **Nida Rahman**, Consultant, ICRIER. Authors can be contacted at arpita@icrier.res.in; sunilrallan@gmail.com and nrahman@icrier.res.in. Views are personal.

- 1] Source: Ministry of Commerce and Industry, Department of Commerce, www.sezindia.nic.in/upload/uploadfiles/files/SEZAct2005.pdf (last accessed July 25, 2022)

- 2] Statista, 2022 <https://www.statista.com/statistics/1203478/worldwide-number-of-countries-with-sez/#:~:text=The%20number%20of%20countries%20with%20special%20economic%20zones,foreign%20direct%20investments.%20Overview%20of%20Special%20Economic%20Zones> (last accessed September 05, 2022)
- 3] Formal Approvals implies when the Developer does have the right (freehold / Lease/ developmental rights) over the land including possession and on the basis of the recommendations of the State Government to Central Government, the Board of Approval considers the case in meeting and recommends "formal" approval which is finally granted by Ministry of Commerce (MOC). Source: http://phdcci.in/file/thematic_pdf/SEZs%20in%20India%20-%20Criss-Cross%20Concerns-Feb%202015.pdf (last accessed August 03, 2022).
- 4] India's Special Economic Zones: A Primer <https://www.india-briefing.com/news/guide-indias-special-economic-zones-9162.html/#:~:text=As%20per%20data%20from%20the%20Ministry%20of%20Commerce,shown%20below.%20Location%20of%20the%20above%20seven%20SEZs%3A> (last accessed September 07, 2022)





MODEL SUSTAINABLE SEZs TO IMPROVE EXPORT OPPORTUNITIES FOR INDIA

Mrs Uma Bhannu K

The UN's Sustainable Development Goals and India's Position

Sustainability is not a buzz word any longer, it is the only way forward. This is applicable not only for corporates to make consistent profits and establish a brand in the international business community, but because resources are limited, and each and every individual has an equal right to overall social and economic empowerment and well-being. Only those individuals with sustained livelihoods, health and well-being will have the ability to become consumers, without whom no business can exist, let alone flourish. It is also well understood by now that only companies that strive to incorporate Environmental, Social & Governance (ESG) facets into their business operations will survive in the longer term because of such existential threats to mankind.

The United Nation's (UN) 17 Sustainable Development Goals (SDG) interlinking 169 targets and 248 indicators are part of a transformative agenda - the 2030 Agenda for Sustainable Development adopted by 193 Member Countries at the UN General Assembly Summit in September 2015, and which came into effect on 1st January 2016.

The agenda focuses on bringing into practice the principle of universality: 'Leave no one behind'. The guiding principle recognizes that it is no longer sufficient to emphasize economic growth, but instead to advocate fairer and more equitable societies, and a safer and more prosperous planet.

India, an ardent supporter of this framework, has mapped schemes related to SDGs and their targets and identifying finance to achieve its SDGs. SDG 3 (Good Health & Well-being) constitutes a large chunk (37.6%) of the available \$978 million funds, followed by SDG 2 (Zero Hunger) with 12.3% during 2017-2022. SDG 3 also accounted to a whopping 56.5% of the total funds allocation in 2022 largely driven by the pandemic.

Being a developing member country, the focus for India is currently on improving its exports growth, increasing manufacturing competitiveness and creating large scale employment opportunities for its people. The Hon' Prime Minister, Mr. Narendra Modi has set ambitious national targets of reaching \$400 billion in merchandise exports by 2022 (successfully achieved), \$5trillion economy of 2025, \$1 trillion in exports by FY2026 and \$2 trillion in exports by 2030.

SEZs will Positively Impact the Economy

Achieving the above targets is by no means a small feat. Accomplishing goods and service exports of \$ 1 trillion by FY 2026 will reflect a CAGR of 15% as against 5% experienced during FY 2015-20.

SEZs can be used as effective tools to achieve these targets as they have already proven to be successful drivers for economic growth contributing around 30% of our total exports. With over 270 operational SEZs comprising 5,620 units, they currently generate an employment of 2.8 million persons to export USD

75.48 Bn for fiscal half of year 2022-23 (as of Sept 30th, 2022).

In order to attain our national target of USD 100 Bn exports by 2025-26, SEZs will employ 3.7 million persons by 2025 and 7.4 million persons by 2030. Every direct employment has the ability to create 3.5 indirect employment opportunities for services and almost six- seven times for manufacturing, further improving the overall employment potential growth by leaps and bounds. This rate of employment is noteworthy considering the potential of the new DESH Act, with anticipated simplified procedures and ease of compliances coming into force.

Striking the Right Balance between Economic Growth and Meeting Sustainable Development Goals

One of the key challenges of meeting SD Goals, particularly for a developing economy like India, is

to sustain its economic growth momentum. Views regarding conflicting relationship between economic growth (SDG 8) and climate action (SDG 13) persist widely. However, developing model sustainable SEZ frameworks to identify ways and means to achieve the twin objectives of growth and sustainability will help counter this challenge, which can then be further Wreplicated across domestic customs territories.

Mapping Success Pillars to Model Sustainable SEZ Frameworks

Successful development of sustainable SEZs rests on five key pillars – efficiency, digitization, fiscal measures, job creation, and value chain development. Let us now understand a few pragmatic approaches to develop model sustainable zones and how they can be dovetailed into existing SDG framework for achieving economic growth, which is elucidated using the following table.

Pillar	Efficiency	Digitization	Fiscal Measures	Job Creation	Value Chain Development
Model Sustainable SEZs	When developing and managing SEZs, considering agile business processes for efficiency of operations	Deploying digital tools during developmental and operational phases	Government providing incentives for developing innovations to boost green investments	High quality jobs and better working conditions for employees	Strengthening knowledge and expertise to and from partners along the value chain
Model examples	SEZs to make conscious efforts in lean management frameworks for reducing its overall carbon footprint; Utilize recycled materials as inputs	Deploying digital tools to bring in more transparency and compliance	Innovations in clean water, energy efficiency, waste management, health & safety	Specialized skill centers providing comprehensive working skills, improved livelihoods	Encouraging supply chain partners to undertake sustainable practices through dissemination sessions. Integrating SMEs into global supply chains Utilizing local materials

Pillar	Efficiency	Digitization	Fiscal Measures	Job Creation	Value Chain Development
Relevant SDG(s)	SDG 9 (Industry Innovation and Infrastructure) SDG 12 (Responsible Production and Consumption) SDG 13 (Climate Action)	SDG 9 (Industry Innovation and Infrastructure) SDG 16 (Peace, Justice and Strong Institutions)	SDG 6 (Clean Water and Sanitation), SDG 7 (Affordable and Clean Energy) SDG 13 (Climate Action)	SDG 1 (No Poverty) SDG8 (Decent Work and Economic Growth) SDG 10 (Reduced Inequalities)	SDG 9 (Industry Innovation and Infrastructure) SDG 11 (Sustainable Cities and Communities)
Relevant Targets	9.4 12.5 13.2	9.5.b 16.6	6.3, 6.4 7.3 13.2	1.3 8.3 10.4	9.3 11.7 (a,b,c)
Impacted Stakeholders (benefits)	Businesses (Lower production and operational costs) Investors (Higher ROIs) Community (Reduced product costs)	Government (Cleaner trade) Investors (Safer zones for investments) Businesses (Better access to finance) Community (Reduced trade risks)	Government (meeting SD Goals) Producers (Incentives) Investors (Incentives) Community (Greener products)	Government (tax revenues from employees) Businesses (Skilled labor force) Community (Better quality of life)	Businesses (Better quality, lower costs of raw materials) Community (Greater participation in global value chains/ skill enhancement)
Impacted Theme(s)	People Prosperity Planet	People Prosperity	People Prosperity Planet	People Prosperity	People Prosperity Planet
Area	Circular economy	Countering illicit trade	Green investments	Sustainable livelihood	Global value chains

Export Opportunities for Indian SEZs

It is evident from the above that SDGs have a strategic role to play in improving export opportunities in areas such as IT/ ITES, R&D focused on scientific, technical / technological, innovation research services, Financial service centres (aiding human skill development), Commodity trading service exchanges (ensuring near-shoring and localized zonal development), Healthcare, Pharmaceuticals and Renewable Energy for Indian SEZs, in which we have already achieved significant competitiveness globally. The gradual and structural shift towards innovative, infrastructure-oriented industrialization highlighting SDG 9 in particular will have a profound impact on India's both IT/ITES and manufacturing sectors improving our economic growth potential.

As growing number of investors and consumers incorporate ESG aspects into their investment and purchase decision making, Indian SEZ enterprises need to adapt and realign their business goals to integrate into SDG framework. Only then will they be able to play their desired role of becoming the 'Go-to-policy-tool' for achieving economic growth. However, it remains to be seen whether this will become the 'new normal' or 'too much of an ask'!

- **Mrs Uma Bhanu K is a team member from Phoenix IT City Pvt. Ltd. Working with Shri Srikanth Badiga, Vice Chairman EPCES**

SEZ 2.0

Moving from SEZ to DESH



The Hon'ble Finance Minister (FM) Nirmala Sitharaman, in her Union Budget 2022 speech, laid impetus on 'Atmanirbhar Bharat' and the government's focus on 'Make in India.' Accordingly, it was proposed to replace the Special Economic Zones Act 2006 (SEZ Act) with a new legislation - Development of Enterprise and Service Hubs (DESH).

The extant SEZ legislation is quite old and was framed under a different set of economic conditions prevalent at that time. A lot has changed since then, and it is widely acknowledged that the current SEZ policy needs to be reviewed and aligned with the current economic reality. Further, the declining attractiveness of SEZs and ongoing concerns raised by the WTO regarding alleged export-linked incentives also calls for a fresh look at the existing SEZ framework.

Not just a facelift, but a new thinking as well

The new scheme is likely to factor in the recommendations of the Baba Kalyani Report issued in November 2018 on



India's SEZ policy. The committee had suggested moving away from exports to more integrated hubs by creating employment and economic enclaves, supported by quality infrastructure, and ease of doing business.

The committee had recommended an "Integrated Online portal" for time-bound approvals, day-to-day compliances, and reducing physical interface. The report laid stress on the 3E's i.e., Employment and Economic Enclaves, by enabling the ecosystem, to enhance competitiveness by creating high-speed multi-modal connectivity, business services, and utility infrastructure.

While the existing SEZ policy has contributed to growth in exports and boosted the development of under-developed areas in the country, the new SEZ legislation should go far beyond and contribute towards India's dream of becoming a USD 10 trillion economy and much beyond.

WTO dispute - India's export promotion schemes

India is a signatory to the WTO and is subject to the agreement on Subsidies and Countervailing Measures (Agreement). The agreement defines the term 'subsidy' and lays out the nature of subsidies that are prohibited from being granted by a member state.

India's schemes hit a roadblock when the USA filed a submission with the WTO alleging that India's export subsidy schemes were inconsistent with the WTO



norms. The dispute settlement panel of WTO, in its report dated 31 October 2019, ruled that India's export-related schemes (including SEZ scheme) were prohibited subsidies under the Agreement and were inconsistent with WTO norms. This in turn has also led India to re-look at the SEZ policy to ensure compliance with the WTO norms.

Key highlights of DESH Bill

The government has proposed to create developmental hubs, where the focus will not be limited to exports but will cater to the domestic market as well. DESH Bill classifies two types of developmental hubs -- enterprise and services hubs.



While the enterprise hubs will have land-based area requirements and allow both manufacturing and services activities, the services hubs will have built-up area requirements and allow only services-related activities. These hubs will come under the Regional Boards of States, and could be created by the Centre or States or by both jointly.

DESH Bill is expected to address some of the issues that have burdened the SEZs in the current scenario. For instance, the evaluation of units would not be based on net foreign exchange. Instead the performance of the units will be measured on parameters such as investment, employment generation, etc. Similarly, clarity is expected on the list of permissible and non-permissible activities that SEZ units are allowed to be eligible for various incentives to avoid any disputes.

DESH may allow infrastructure status to the units/developers, such as roads and airports so that companies operating in these hubs have easier access to capital.

The Bill proposes to simplify administrative requirements by enabling a single window clearance and allowing easy exit for units/developers through well-defined standard operating procedures (SOP's), which has been one of the key concerns under the existing scheme.

To make it more effective

The new DESH policy should ensure that the proposed hubs should aim to make India an integral part of the global manufacturing value chain. Tax incentives linked to investment, infrastructure development, R&D spend, employment generation, etc., should also be considered to make this scheme more attractive.

It is important that the DESH policy should be implemented with the coordinated efforts of the Central government, State governments, and other stakeholders to make it a success.

While the inter-ministerial discussions with regard to the final implementation of the DESH Bill are currently going on, the investors and developers are optimistic that it should get tabled in the upcoming winter session of the parliament. Besides exports, DESH policy is expected to make SEZ's an engine of economic growth and employment creation.

To sum up, the proposed DESH policy should act as a booster dose for the Indian economy, especially in the current geo-political and economic landscape.

**(Vikas Vasal,
National Managing Partner,
Tax, and Adarsh Gupta,
Associate Director –
Grant Thornton Bharat LLP)**

Transition of Customs Administration from SEZ online to **ICEGATE** - Stakeholders Consultation on Amendment in SEZ Rules regarding



Hon'ble Union Finance Minister had in her budget speech announced that the Government will also undertake reforms in Customs Administration of SEZs and it shall henceforth be fully IT driven and function on the Customs National Portal with a focus on higher facilitation and with only risk-based checks. This will ease doing business by SEZ units considerable. Accordingly, CBIC has taken initiatives to facilitate integration of Customs operation to ICEGATE from SEZ portal. Office of the DG (systems), CBIC is looking after this aspect. For bringing the system on ICEGATE, certain amendments in the SEZ Rules are required to be done. The indicative policy intervention that is the Rules requiring amendment with recommendation thereof was forwarded by the office of DGEP. Therefore, in order to understand the proposed changes in SEZ Rules, EPCES requested the Ministry of Commerce to have a stakeholder consultation. Accordingly, EPCES in collaboration with their knowledge partner M/s Grant Thornton Bharat LLP conducted a hybrid session on "Reforms in Customs Administration of SEZ" under the chair of Shri L Satya Srinivas, Additional Secretary (SEZ), Ministry of Commerce on 22nd December 2022. DGEP, DG(Systems and Data Analysis), CBIC, other senior officers of the D/o Commerce and D/o Revenue/CBIC were present. On behalf of EPCES, Shri Badiga, Vice Chairman, Shri Rahul Gupta, past Chairman, Shri Vilas Gupta, CGC members, Shri Sunil Puri, Officiating RC, NSEZ, Shri Alok Mukherjee, Director Idemia along with Shri Alok Chaturvedi, DG were present. Session

was well attended by approximately 200 members (online as well offline).

Shri L Satya Srinivas, Additional Secretary (SEZ), gave the background of the webinar and sought reactions of the SEZ Units and developers on the proposal submitted by DGEP. He clarified that SEZ Act will remain the same. DGEP is proposing to change SEZ Rules to enable the transition from SEZ Online to



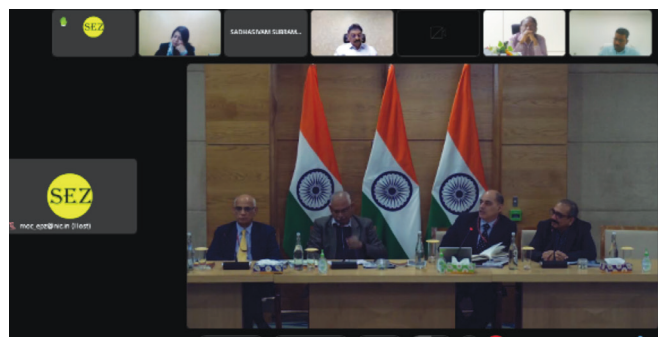
ICEGATE. Amendment in Rules will be within the broad contours defined by SEZ Act. It will be more of procedure part and that too from the ease of doing perspective. Shri Alok Chaturvedi, Director General, EPCES stated that broad concerns of the SEZ units were as follows:

- **DTA Procurement:** It has been proposed that obtaining IEC and filing Bill of Exports would be mandatory for DTA suppliers to SEZ unit. However, this might be problematic as it is not always big suppliers supplying to SEZ units. And these small suppliers are not really exporters per se. Currently as per Rule 30(3), Bill of Exports is required only when some export entitlements are claimed. It is going to result in supply chain disruptions and higher compliance burden. This needs to be relooked from the ease of doing business perspective.

- **Risk Management System:** It has been proposed that RMS will be introduced for Import/Export and DTA procurement and DTA sale of goods. SEZ units have concerns about possible delay and not meeting the deadlines due to this. At present, under Rule 46(1)(c) and Rule 27(10), the goods for exports/imports/domestic procurement are not supposed to be subjected to routine examination and LEO shall be given on the basis of self certification by the unit. Even at the port/airport/ICD/CFS/LCS, the examination is to be done only in case of specific intelligence or information after obtaining the written permission of senior officers.
- **Multiple reporting platform:** There is some concern that in the proposed scheme of things, SEZ units will have to comply with the requirement of both ICEGATE and SEZ Online platforms. This may increase compliance burden for SEZ units.
- **Facilitation:** It should be ensured that during the proposed transition, procedures and processes should be simplified and existing procedures should not be drastically changed as it may create a lot of problems for the SEZ units. Changes should be introduced in phased manner after proper testing of changes in the ICEGATE software.

DG(Systems) allayed the concerns raised in the remarks of DG, EPCES. He stated that they will look into the issues related to DTA procurement and supplies. RMS should be beneficial to SEZ Units as

there will hardly any manual intervention and response from the RMS is within minutes based on the risk parameters set by the Customs officers.



Thereafter, Mr Praveen Kashyap, Executive Director and Ms Sakshi Pahwa, Manager, Grant Thornton made a presentation on the proposed reforms and the concerns raised by various stakeholders. Participants raised their concerns about diluting the jurisdiction and control of Development Commissioner over SEZs and the presence of dedicated Customs office in SEZs. They also agreed with the concerns pointed out by DG EPCES.

Concluding the session, AS(SEZ) and DG(Systems) assured to examine the concerns of SEZ units and said that amendments in Rules will be undertaken for easing the business of the SEZ units only. DG, EPCES requested that comments of the stakeholders may also be undertaken on the draft changes in the SEZ Rules before the same are finalised.



BOARD OF TRADE (BOT) - MEETING TAKEN BY HON'BLE COMMERCE & INDUSTRY MINISTER

The reconstituted Board of Trade (BoT) meeting was held on 13th September 2022, chaired by Shri Piyush Goyal, Hon'ble Union Minister of Commerce and Industry, Textiles and Consumer Affairs, Food & Public Distribution. Smt. Anupriya Patel, Hon'ble Minister of State for Commerce & Industry and Shri Som Parkash, Hon'ble Minister of State for Commerce & Industry also graced the occasion.

Shri B.V.R Subrahmanyam, Commerce Secretary in his opening address stated that India achieved its target of USD 400 Billion in exports, registering an export of USD 422 Billion in merchandise and more than USD 250 Billion in services during the FY 2021-22. It is a landmark moment, as India, stuck for a long time in the range of USD 300 Billion exports, has broken out of it for the first time. He highlighted the global challenges including the Ukraine-Russia crisis and high inflation. However, amidst these challenges, he mentioned the emerging bright spots, such as, shift in global supply chains where the countries and companies are looking to diversify the sources for their goods and services by following the 'China + 1' strategy which opens up opportunities for India. Furthermore, he talked about India building on its own strengths through the Production Linked Incentive (PLI) scheme, the Atmanirbhar Bharat Initiative and the PM Gati Shakti Project. He concluded by stating that the country's exports are well placed and should fulfill the vision set for 2047 where the Indian economy would stand at USD 30 trillion with exports constituting a share of about 25% of Indian GDP.

Hon'ble Commerce & Industry Minister, Shri Piyush Goyal welcomed the representatives from the States, Trade bodies and Non Official members to the first



meeting of the reconstituted BoT, the aim of which was to bring all stakeholders in BoT. He stated that the global confidence in India's prospects for growth is immense and called upon the domestic industry to grab the available growth opportunities. He highlighted that, in the last few years, there has been an attempt for foundational transformation in India which has accelerated India's momentum to becoming a developed nation. Calling for adoption of more stable, consistent, honest policies, he said that the government's policies must be robust enough to deliver what was promised to the people. Further, there is a need to find ways to encourage people to comply and bring in transparency and ease of doing business. CIM concluded the address by emphasizing on the importance of fulfillment of designated responsibilities, and how this can help India become one of the top economies in the world. The session was followed by the presentations by the senior Govt. Officials. Detailed Minutes of the meeting of Board of Trade (BOT) is made available on EPCES Website.

Commerce & Industry Minister Holds Meeting with the Export Promotion Councils

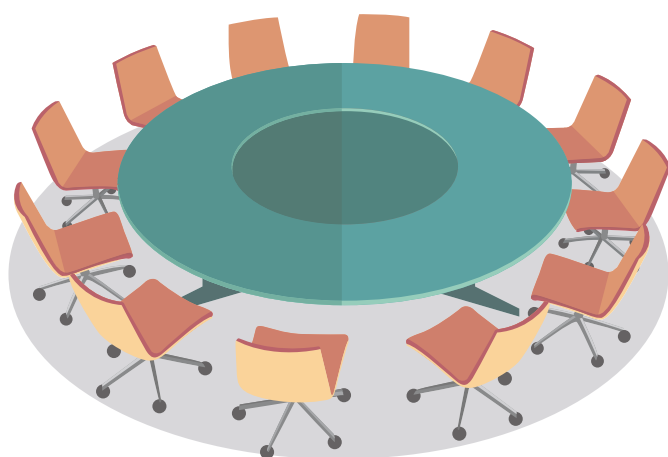


A meeting was held on 7th October, 2022 under the Chairmanship of Hon'ble Commerce & Industry Minister, Shri Piyush Goyal in hybrid mode at Vanijya Bhawan with representatives of the Export Promotion Councils as well as Industries to discuss the Export Performance during the first six months of this financial year FY 22-23 and prospects for the coming year. The meeting was also attended by the Hon'ble Minister of State for Commerce & Industry, Smt. Anupriya Patel and the new Commerce Secretary, Shri Sunil Barthwal.

The Commerce Secretary in his opening remarks set out the outline of the meeting and highlighted the importance of this review meeting with Industry representatives. Industry was apprised of the healthy growth of around 15.5 % seen in the first six months of this financial year, as compared to previous year. He highlighted that though there are certain global headwinds, however given India's share in world trade of approximately 2%, there is a lot of opportunity for India. The industry however was asked to remain alert and cautious about the global headwinds represented in the dip in export performance in month of September 2022. Director General of Foreign Trade (DGFT) gave a detailed presentation on export trends of the current year vis-à-vis the major export markets of India, along with sectoral growths & target set in this regard. The leading and laggard export markets/ sectors were specifically highlighted for specific attention and possible corrective actions. It was followed an interaction with EPCs and industry

representatives on challenges, opportunities and way forward for increasing exports from India.

Hon'ble CIM, in his concluding remarks, emphasised on sustaining the export momentum and said that the interaction with Export Promotion Councils has given the confidence that Indian exports will be able to wither the global headwinds and will surpass last year's exports by a big margin. He added that India must keep prospecting for new opportunities in the world market and utilise all such possible chances to expand trade. Further he mentioned that the requests of anti-dumping needs to be looked into from the perspective of a complete and supportive value chain. These issues otherwise may lead to distortion of India's International competitiveness. The industry participants were assured that the Government is committed to address the issues raised by them. He urged the trade and industry to implement innovative ways of marketing, increase quality standards and take full benefit of Free Trade Agreements to achieve higher export growth in this financial year.



INDIA-AUSTRALIA ECONOMIC COOPERATION AND TRADE AGREEMENT COMES IN FORCE FROM 29.12.2022

India has achieved the unique distinction of operationalizing two Trade Agreements this year. After the entry into force of India-UAE Comprehensive Economic Partnership Agreement on May 1 earlier this year, the India-Australia Economic Cooperation and Trade Agreement (Indo-Aus ECTA) has come into effect from December 29, 2022. The ECTA was signed on April 2, 2022, ratified on November 21, written notifications were exchanged on November 29 and after 30 days, the Agreement has come into force.

Addressing industry representatives and the media in Mumbai on 29th December 2022, the Union Commerce and Industry Minister Piyush Goyal said that the Agreement has been “negotiated with the speed of Bret Lee and the perfection of Sachin Tendulkar”.

Minister in his press conference stated that there is a lot of potential for exporting finished goods to Australia, since they hardly manufacture anything, they are largely a raw material and intermediate producing country, we will get cheaper raw materials which will not only make us more competitive globally but also enable us to serve Indian consumers better; enabling us to provide more quality goods at more affordable prices. Further, Australia, which is largely dependent on imports, will benefit hugely, they will soon start seeing a lot more finished goods coming in from India, providing huge amount of work and job opportunities in both goods and services, provided by Indian talent. The Agreement will also eliminate Double taxation on IT services which were making us less competitive and making us

less profitable in IT sector, the double taxation has now been removed by amending the law, from 1st April, double taxation for IT sector will be over, we will save millions and millions of dollars right now, and over a billion dollars going forward, maybe 5 - 7 years going



forward, giving us competitive edge and also creating a lot many jobs. He appreciated Australian government for being very sensitive and considerate, giving us full cooperation throughout the negotiations, especially in protecting the interests of the farmers and dairy sector of India. Products like agricultural products and dairy sector - which were very sensitive for India and without which Australia has never done an agreement before - have been protected.

The Indo-Aus ECTA provides an institutional mechanism to encourage and improve trade between the two countries. It covers almost all the tariff lines dealt by India and Australia.



India will benefit from preferential market access provided by Australia on 100% of its tariff lines, including all the labour-intensive sectors of export interest to India, such as Gems and Jewellery, Textiles, leather, footwear, furniture, food, and agricultural products, engineering products, medical devices and Automobiles. On the other hand, India will be offering preferential access to Australia on over 70% of its tariff lines, including lines of export interest to Australia, which are primarily raw materials and intermediaries such as coal, mineral ores and wines.

As regards trade in services, Australia has offered wide-ranging commitments in around 135 sub-sectors and Most Favoured Nation (MFN) status

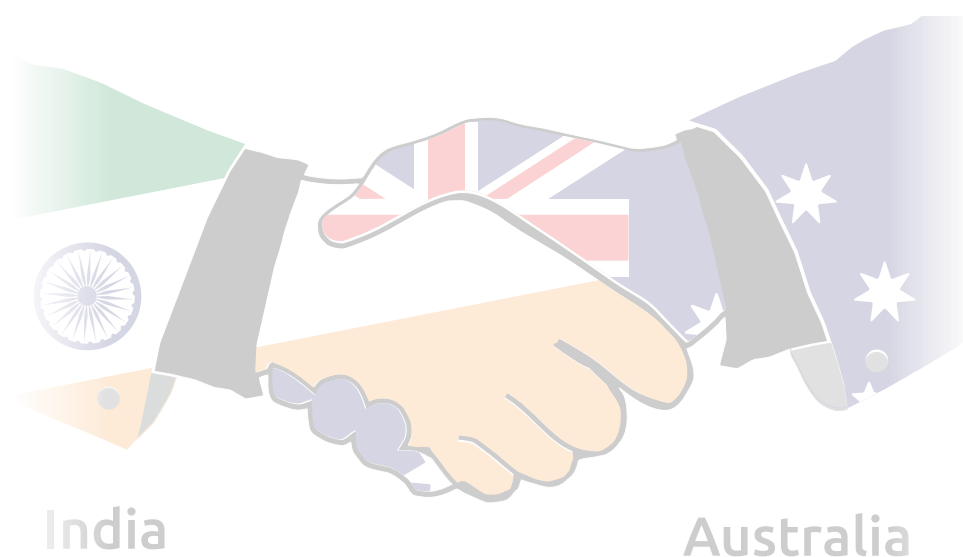
in 120 sub-sectors covering key areas of interest to India.

On the other hand, India has offered market access to Australia in around 103 sub-sectors and Most Favoured Nation status in 31 sub-sectors from the 11 broad service sectors such as 'business services', 'communication services', 'construction and related engineering services', and so on.

Both sides have also agreed to a separate Annex on Pharmaceutical products under this agreement, which will enable fast-track approval for patented, generic and biosimilar medicines.

It is estimated that an additional 10 lakh jobs would be created in India under ECTA. Indian Yoga teachers and chefs are set to gain with the annual visa quota. Over 1 lakh Indian students would benefit from post-study work visa (for 18 months to 4 years) under the ECTA. The agreement is also likely to increase investment opportunities, promote exports, create significant additional employment and facilitate strong bonding between the two countries.

All the necessary notifications required for entry into force of Ind-Aus ECTA on 29.12.2022 have been issued by Department of Revenue and the Directorate General of Foreign Trade in the Department of Commerce.



INTERNATIONAL TRADE SETTLEMENT IN INDIAN RUPEE

Meeting held by Secretary, Department of Financial Services



A meeting was held under the Chairmanship of Secretary, Department of Financial Services (DFS) on 05.12.2022 in hybrid mode in the D/o Ficial Services to discuss various issues related to operationalization of International Trade Settlement in Indian Rupees. Senior officers/ representatives from the Directorate General of Foreign Trade (DGFT), Reserve Bank of India (RBI), Department of Commerce (DoC), all Public Sector banks, major Private Sector Banks, Indian Banks' Association (IBA), various Export Promotion Councils (EPCs) and

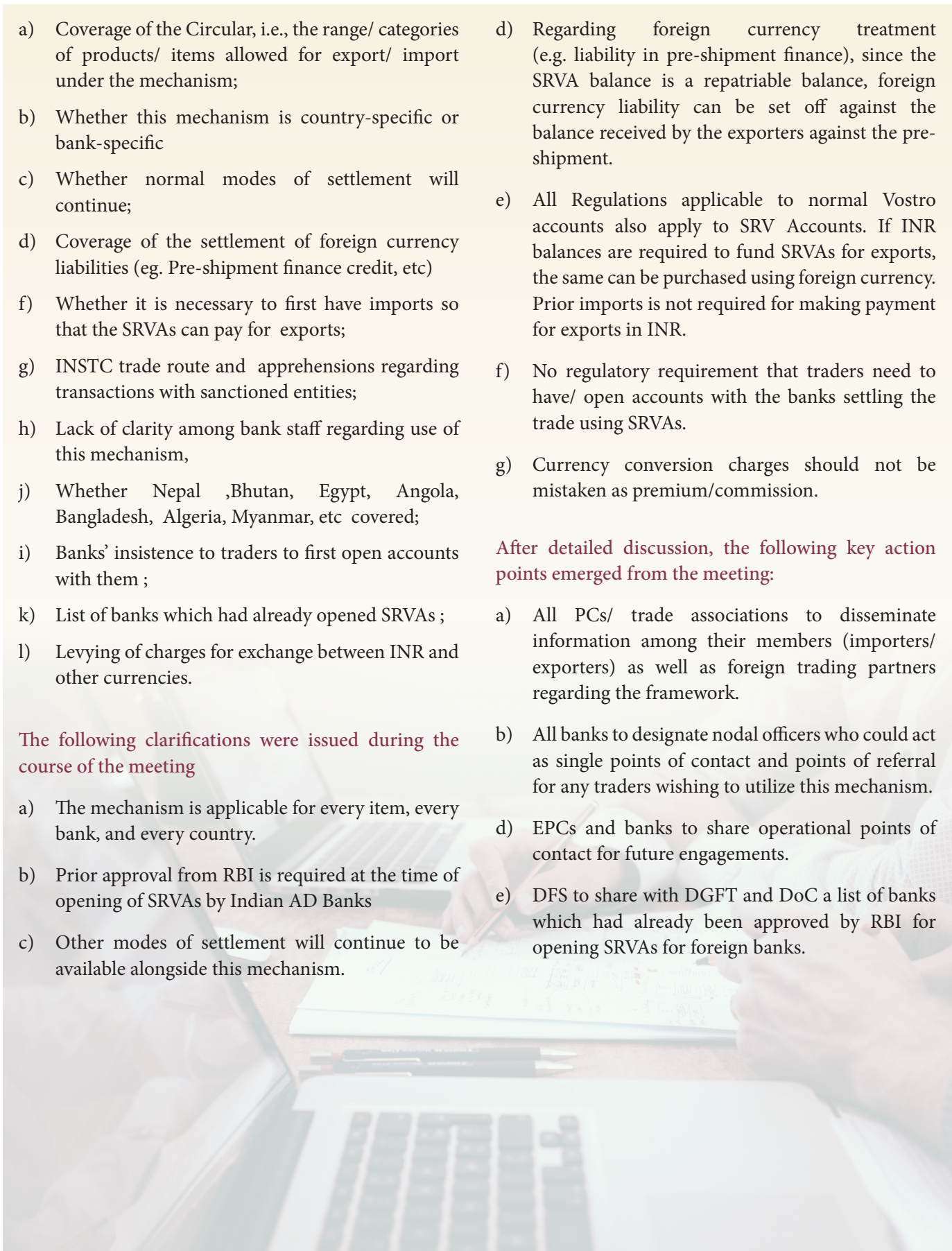


Trade Associations/ Industry bodies participated in the meeting. Secretary D/o Financial Services drew reference to the framework for international trade settlement in INR, put in place vide RBI's Circular dated 11.07.2022. It was mentioned that the purpose of the framework is to promote growth of trade and to

support the increasing interest of the global trading community in INR. The framework is applicable to any partner country seeking to undertake trade with India in INR. He further stated that since then, many Special Rupee Vostro Accounts (SRVAs) have been opened (which constitutes the first and most important step in operationalizing the framework) and that on 01.12.2022, RBI has also come out with a list of FAQs on its website which will further lend clarity to all stakeholders. One of the major action points flowing from the meeting on 07.09.2022 was that all trade associations/ PCs should give wide publicity to the framework and encourage their members (importers/ exporters) to make full use of the same, especially in view of the advantages of INR settlement in terms of cost savings and currency risk reduction.



Various EPCs/ Trade bodies including **FIEO, AEPC, EPCES, EEPC, CII, PHARMEXCIL, SHEFEXCIL, GJEPC, PLEXCONCIL, IRCON, TEPC**, and various other participant trade bodies made their interventions, highlighting the following major issues/ queries which needed clarification/ addressed:

- 
- a) Coverage of the Circular, i.e., the range/ categories of products/ items allowed for export/ import under the mechanism;
 - b) Whether this mechanism is country-specific or bank-specific
 - c) Whether normal modes of settlement will continue;
 - d) Coverage of the settlement of foreign currency liabilities (eg. Pre-shipment finance credit, etc)
 - f) Whether it is necessary to first have imports so that the SRVAs can pay for exports;
 - g) INSTC trade route and apprehensions regarding transactions with sanctioned entities;
 - h) Lack of clarity among bank staff regarding use of this mechanism,
 - j) Whether Nepal ,Bhutan, Egypt, Angola, Bangladesh, Algeria, Myanmar, etc covered;
 - i) Banks' insistence to traders to first open accounts with them ;
 - k) List of banks which had already opened SRVAs ;
 - l) Levying of charges for exchange between INR and other currencies.
 - d) Regarding foreign currency treatment (e.g. liability in pre-shipment finance), since the SRVA balance is a repatriable balance, foreign currency liability can be set off against the balance received by the exporters against the pre-shipment.
 - e) All Regulations applicable to normal Vostro accounts also apply to SRV Accounts. If INR balances are required to fund SRVAs for exports, the same can be purchased using foreign currency. Prior imports is not required for making payment for exports in INR.
 - f) No regulatory requirement that traders need to have/ open accounts with the banks settling the trade using SRVAs.
 - g) Currency conversion charges should not be mistaken as premium/commission.

After detailed discussion, the following key action points emerged from the meeting:

The following clarifications were issued during the course of the meeting

- a) The mechanism is applicable for every item, every bank, and every country.
- b) Prior approval from RBI is required at the time of opening of SRVAs by Indian AD Banks
- c) Other modes of settlement will continue to be available alongside this mechanism.
- a) All PCs/ trade associations to disseminate information among their members (importers/ exporters) as well as foreign trading partners regarding the framework.
- b) All banks to designate nodal officers who could act as single points of contact and points of referral for any traders wishing to utilize this mechanism.
- d) EPCs and banks to share operational points of contact for future engagements.
- e) DFS to share with DGFT and DoC a list of banks which had already been approved by RBI for opening SRVAs for foreign banks.

WEBINAR ON RECENT UPDATES UNDER DIRECT TAX AND INDIRECT TAX



GT – EPCES Webinar

Recent updates under Direct and Indirect Tax

Tuesday, 15 November 2022 | 4:00 pm – 6:00 pm

Grant Thornton Bharat in collaboration with the Export Promotion Council for EOUs & SEZs (EPCES) is organising an interactive webinar with EPCES members to throw light on the recent updates under Direct and Indirect Tax as well as to resolve queries of members in this matter.

Export Promotion Council for EOUs & SEZs (EPCES) in collaboration with their knowledge partners Grant Thornton Bharat LLP (GTBLLP) conducted its quarterly webinar for their members on “Recent updates under Direct Tax and Indirect Tax” dated 15th November 2022.

The objective of the webinar was to provide members an update on the key tax related updates (Direct and Indirect Tax laws) and facilitate them with a platform to seek clarifications on operational/ regulatory issues from subject matter experts

Shri Alok Chaturvedi, Director General, EPCES delivered the opening remarks.

A panel of speakers from Grant Thornton including PS Krishnan, R Sridhar, Priyanka Sahi and Sakshi Pahwa presentation on captioned subject and responded to all queries (Direct and Indirect Tax) raised by members. Session was well attended by approximately 50 members,

who actively participated and raised their queries during the session, which were addressed by GT team. A copy of the presentation is kept on the EPCES website.



FTAs: Fabulous, Futile, or Flawed?

An evaluation of India's FTAs with ASEAN Japan and South Korea

AJAY SRIVASTAVA

CO-FOUNDER, GLOBAL TRADE RESEARCH INITIATIVE (GTRI)

GTRI has issued its first flagship report: “FTAs: Fabulous, Futile, or Flawed? An evaluation of India's FTAs with ASEAN, Japan and South Korea”. The report is available on <https://www.linkedin.com/posts/ajay-srivastava>.

Highlights of the Report India's FTA journey is now at an inflection point. Geographical focus shifting from east to west. And new FTAs would include taking commitments in the domestic policy areas.

A) **Current FTAs** - Despite its manufacturing and services capabilities, India, unlike its east Asian neighbours, has been unable to take advantage of its critical FTAs. The key reason was higher import duties in India compared to FTA partners.

Indian exports to FTA partners have gained little from the FTA-led elimination of import duties by the partner countries. Thus, India's FTAs need to improve in the primary objective of promoting exports.

As high import duties in India came down post-FTA, India's FTAs have provided immediate and sharp price advantage to partner country firms exporting to India, over their competitors. But Indian firms exporting to partner countries had no such luxury as MFN duties were zero or low in most partner countries. This led to a high trade deficit. Hence we say FTAs served partner countries and not our interests.

B) **New FTAs** - The increase in trade deficit pattern as noticed in the FTAs with ASEAN, Japan and South Korea will continue in the new FTAs. The key reason would remain higher import duties in India

compared to new FTA partners. New nontrade issues may serve as NTBs and hamper our exports in the future.

C) **Trade Strategy** - Due to the noise created by FTAs, we forget that less than 20% of world trade is preferential. To repeat, 80% of world trade happens at non preferential MFN duties. Hence, India needs additional strategies to promote trade happening outside of the FTAs' preferential route.

D) No significant harm yet FTA do not serve India's interests Overall about 10% of India's imports come through the preferential route. This is because most large import products like Petroleum, Gold, and electronics come from non-FTA partner countries.

An increase in India's trade deficit with crucial FTA partners does not mean that these FTAs have harmed us in any significant way. Imports from ASEAN, Japan, or S. Korea may have increased even without FTAs considering the efficient product profile of FTA partners.

But no harm point does not justify them as gains are not balanced and are against India. The FTAs still need to meet the objective of increase in exports. They have led to significant revenue loss. Also, an increase in imports under a few product groups has harmed many firms.



Secondment of employees-lucidity or ambiguity?

INTRODUCTION



In the era of globalization, the most popular business model is to use cheap human resources and large markets of the developing nation by multinational companies.

India, being home to around 1.3 billion people, not just presents a vast market, but its educated and English-speaking population also serves the requirement of skilled human resources at a reasonable cost. The availability of the market and skilled resources prompts multinational companies to set up subsidiaries in India. These companies generally use Indian employees for execution work, whereas sending their trained employees to India, under a secondment arrangement, to supervise, provide technical expertise and manage Indian operations.

A secondment arrangement is a kind of dual employment, i.e., with the original employer (overseas entity) and the host entity. The employee continues to be on the payroll of the original employer and draws their salary in the original country for social security/retirement benefits. The host company takes employees on its payroll for an agreed period and reimburses the salary and other agreed expenses to the original employer. The critical issue that arises out of the secondment arrangement is the classification of arrangement under the different statutes in India, i.e., under the service tax laws, it was generally classified as employee and employer relationship between the Indian company and the seconded employee. As services provided during employment are outside the purview of the service tax (GST as well), the transactions were widely perceived to be outside the services tax / GST levy.

In context to the above, the Apex Court (SC), in the case of Northern Operating Systems Private Limited (NOSPL), held that the secondment of employees by the overseas entity to an Indian entity should be treated as a supply of manpower service. Therefore, the reimbursement of salary costs and other expenses of employees of an overseas entity seconded to the Indian entity shall be liable to service tax on a reverse charge basis for the Indian entity.

This article discusses this judgment and its impact on contemporary secondment arrangements entered by the entities.

BACKGROUND

There were primarily two agreements between NOSPL (an Indian entity) and its overseas group companies (OGC). One agreement was for the provision of back-office support services on a cost-plus markup basis by NOSPL to its OGC. In another agreement, NOSPL requested the OGC for the employees to assist in providing back office and operational support. NOSPL had to reimburse the expenses paid during the secondment period w.r.t. the remuneration of employees (secondee). Such employees were working on the payroll of the overseas entity. During the secondment term, the Indian entity would have control over the secondee. Further, upon cessation of the secondment term, the

secondee would return to their overseas employer / deployed on some other secondment. However, for all practical purposes, during the stay of such a seconded person in India, the Indian entity acted as the employer and, apart from providing other social security, also deducted the income tax TDS under the head salaries.

The tax authorities held that the secondees provided by OGC would be considered as a service by the overseas entity to an Indian entity. Therefore, the Indian entity was liable to pay service tax on a reverse charge basis on such import of service (being manpower supply service). The issue before the SC is the taxability of the cross charge, which is based on who should be reckoned as the actual employer of the seconded employees.

OBSERVATIONS OF THE APEX COURT

- The nature/ taxability of the transaction cannot be decided merely by the terminology of any contract, and one needs to evaluate the documents in entirety.
- There is an element of quid pro quo in the agreement, as on the one hand, NOSPL is making payments to the OGC, and on the other hand, it is deriving economic benefit from the activity, which in turn receives specific jobs or assignments from the OGC.
- There cannot be a single determinative test to determine the taxability of any transaction; rather, it is a combination of all applicable tests taken on the totality of the fact situation.
- The Indian entity does not have any right to terminate the employment of the secondee.
- The Indian entity can only ask the OGC to replace the secondee. Hence, the ultimate control of the secondee lies with the OGC only.
- The principle of substance over form shall apply, which would emphasize at the terms of the contract/ agreements.

EVALUATION FROM GST PERSPECTIVE

Though this judgment relates to the service tax regime, the most relevant period has already become time-barred. Hence, hopefully, no new proceedings can be started based on this judgment, specifically after clarification by the apex court that such a case doesn't merit the imposition of the extended period of limitation. However, it will have a significant impact on current pending litigations. As the legal provisions under the service tax laws are analogous to corresponding provisions under GST, this decision may unleash litigation under GST on this matter.

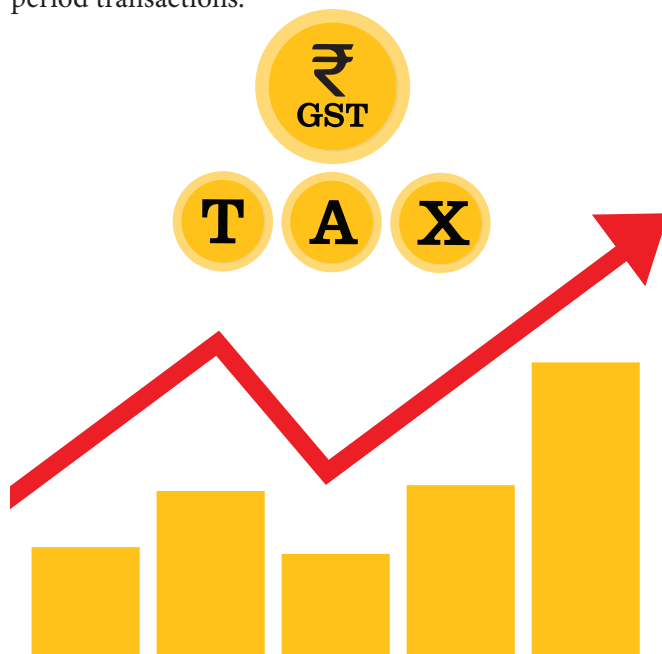
Under GST, the scope of the term 'supply' is much broader than the erstwhile regime, to include supplies to related parties even without any consideration. In such a case, mere secondment of an employee, even if the Indian company didn't pay/ reimburse any amount to the overseas company, would make the transaction exigible for GST.

The moot question is to determine who will be considered the actual employer of the seconded

employees. According to the GST law, if the seconded entity is regarded as the employer, the transaction would be covered under Schedule III of the CGST Act and will not have any GST implications. However, if the original employer is recognized as the employer, the arrangement would be seen as services provided by that original employer to the seconded entity, making them taxable in the recipient's hands as an import of services.

Though the SC observed that a single criterion would not be sufficient to decide such situations, its observations would be very important in figuring out the implications concerning similar arrangements. In case the facts of the arrangement are different than that in the case of NOSPL, the judgment may be distinguished. Therefore, the entities should examine their present secondment/ deputation contracts to reevaluate their tax positions and determine whether they need to restructure the arrangement or determine potential tax liabilities resulting from such contracts.

To avoid litigations, the taxpayers may take a call to pay GST on this transaction even for the prior period. However, the valuation and input tax credit (ITC) eligibility will be another battle. In the case of related parties, it is important to examine if value, as per the 2nd proviso to Rule 28 of the CGST Rules, 2017, can be adopted for the purpose of valuation. If so, whether 'any' value (even nominal value) declared in the invoice can be taken as the taxable value? Even the department may dispute the availability of ITC of taxes paid on such prior period transactions.



In light of the SC ruling, it may be interpreted that the secondment of employees by an overseas entity to an Indian entity will be treated as an import of service under GST, and the recipient shall be liable to pay GST under the reverse charge mechanism (RCM) unless it is demonstrated that fact of the agreement is different from the one considered by the SC. Therefore, the facts, terms, and conditions of the agreements play a vital role in determining the taxability of any transaction. Additionally, the doctrine of substance over form must be read in the context of interpreting the nature of the contractual relationship between the parties considering the legal provisions involved; however, it cannot be viewed as gospel to allow application in every circumstance.

Recently, in the case of *Komatsu India Private Limited*, the Division Bench of the SC issued notice limited to the question of whether salary paid on secondment of employees is a taxable service under Section 65(105) (k) of the Finance Act, 1994. The case has been tagged along with the case of *M/s. Nortel Networks India Private Limited* (Civil Appeal No. 3692/2017), which is listed for further hearing on 3 January 2023.

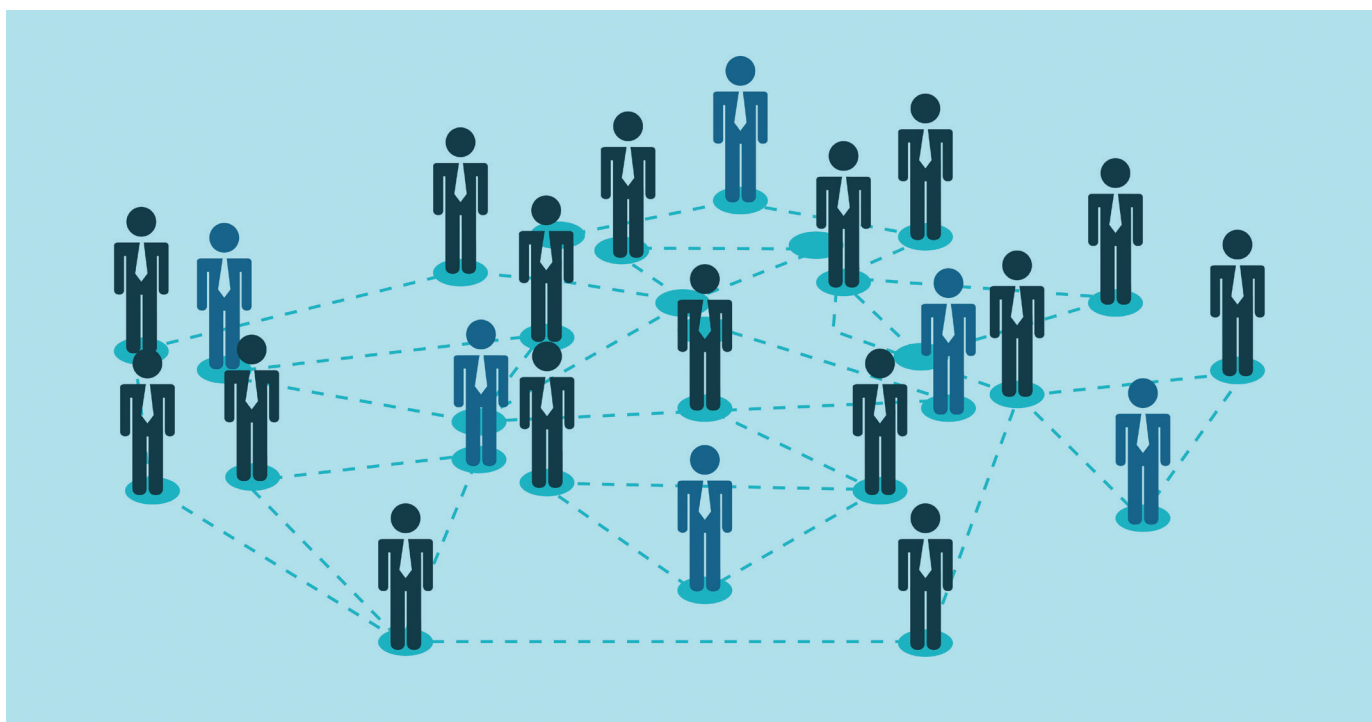
CONCLUSION

The SC decisions are final and binding. However, it should be noted that this verdict was made considering the facts of the case and the principle of substance over form. Since facts may differ in other cases unless they are comparable to those in the *NOSPL* case, this decision cannot be regarded as a precedent. Nonetheless, in case of similar secondment arrangements, it will have widespread ramifications.

The judgment has landed the authorities in a vicious cycle of immeasurable litigations under service tax as well as the GST regime on a similar issue. This matter is under the eyes of the tax authorities. Hence, there is a high chance of seeing a surge in scrutiny of secondment arrangements by GST authorities during the assessments, audits, etc.

It is imperative that taxpayers review their contracts, ensure concise drafting of agreements and revisit their tax positions. Besides, to avoid disputes and litigations, the taxpayers may consider paying GST under RCM and can avail of ITC, which will be a revenue-neutral position.

**(Manoj Mishra, Partner and Priya Rani
Grant Thornton Bharat LLP)**



Regional Activities - Cochin SEZ

Webinar on SEZ Policies & Procedures



Mr. Krishna Barad, BDO India, Mr. K K Pillai, Regional Chairman, EPCES-CSEZ, Mr. Hrisikesh, WTC & Dr. Bose K Nair, then Regional Director, EPCES-Bangalore.

The EPCES Cochin Regional Office in association with the World Trade Center (WTC), organized a Webinar on SEZ Policies & Procedures on 12 October 2022. Shri K K Pillai, Regional Chairman, CSEZ made the introductory address. Mr. Krishna Barad, Customs and International Trade expert from BDO India was the speaker for the session. The topics covered were softex filing, WFH Guidelines -Sharing of assets between SEZ & EOU, Debonding / Exit / Denotification / relocation etc., future of the SEZ Scheme in the light of trade dispute at WTO, Baba Kalyani committee recommendations, etc. About 380 participants attended the webinar and the program was well appreciated by all the participants.

SEMINAR ON “HOLISTIC HEALTH IN THE NEW NORMAL- BEYOND THE PHYSICAL”

EPCES, Cochin organised a Seminar on “Holistic Health in the New Normal- Beyond the Physical” for CSEZ in commemoration of the International Yoga Day.

The program was arranged in the conference hall of CSEZ complying the COVID Protocols. Sri D V Swamy IAS, Development Commissioner, CSEZ delivered the keynote address. Dr. Nair, a renowned psychiatrist and Dr. Jaya Lalmohan, gynecologist working with NHRM and a holistic trainer were the subject experts. About 40 participants from the units as well as DC Office attended the program. This was the first physical meet organized in CSEZ post COVID period.



Sri. Lalmohan, Dr. Jaya Lalmohan, Sri D V Swamy, DC, CSEZ and Dr. Nair seen on the dais.

The Development Commissioner in his address emphasised the need for health beyond the physical, the theme given for the International mental health day for 2021. In the pandemic scenario, the inner and external health needs to be cared and the strength to fight the adversities has to be attained. The experts guided the participants on the importance of mental as well as physical health and reminded that the physical health will come only when the mind is calm and healthy. Stress management techniques were discussed, and participants interested in learning yoga / wellness practices were asked to contact the masters directly.

SWACHATHA PAKWADHA PROGRAM

Swachatha Pakwadha Program was organized by the CSEZ inside the Zone area to educate the importance of cleanliness and systematic maintenance of the same in the workplace and how such practices will help in improving the health of the people around as well as the environment. Street Drama and Workshops on awareness of swachatha were conducted.



Sri K K Pillai, Regional Chairman, EPCES-CSEZ addressing the meeting

Swachatha Ambassadors were nominated from each SEZ units and they took the swachatha pledge. Workshop on importance of clean and healthy place of work was organised.



Plastic Bottle crusher installed inside the zone was inaugurated by Ms. Prayaga Martin, famous Malayalam Cinema actress who was the Chief Guest, as a move towards plastic free Zone. The EPCES Regional Chairman, Shri K K Pillai who is also the President of the CSEZ Industry Association made a special address.

WEBINAR ON “CHANGING LANDSCAPE OF INDIA’S EXPORT CONTROL REGIME”

Webinar on “Changing Landscape of India’s Export Control Regime” was organised in association with World Trade Center (WTC) on 8th December 2021. The speakers were Ms. Garima Prakash of NASSCOM and Mr. Krishna Barad of BDO India. Shri K M Harilal, Joint DGFT, Kochi delivered the keynote address and Shri. K K Pillai, EPCES Regional Chairman did a special address.



Sri K M Harilal, JDGFT Kochi, Sri Vivek George, WTC, Sri K K Pillai, Regional Chairman, EPCES, Sri Krishna Barad, BDO India, Sri Dinesh Sreekumar, NASSCOM and Ms. Garima Prakash, NASSCOM.

India’s Foreign Trade (Development & Regulation) Act, 1992 (FTDR Act) provides for the development and regulation of India’s international trade. The FTDR Act has been enacted with an intention to provide a framework for the development and standardization of India’s foreign trade by the way of facilitating imports into enhancing exports from India and all the other matters related to the same.

The webinar discussed in brief about basics of Export Controls, India’s National export control list i.e. SCOMAT list, four multilateral export control regimes, supplies to SEZ, dual use items, authorization categories and details, latest additions and amendments to the controls and SCOMAT list, etc.

There were more than 100 participants from the trade and industry.

INDIA EXIM BANK OUTREACH PROGRAM IN ASSOCIATION WITH FICCI

India Exim Bank, in the process of taking certain new initiatives like Trade Assistance Program, Ubharte Sitaare Fund (USF), Factoring, Countertrade, etc. towards supporting SMEs and boosting exports from the country in coordination with the Scheduled Commercial Banks and Other stakeholders desired to have interactions with trade & industry members to seek their valuable inputs on the above initiatives. In this regard, EPCES Cochin joined with FICCI organising a webinar on 16 December 2021 along with SIDBI and Visveswaraya Trade Promotion Center (VTPC).

Mr S R Satheesha, Director (Exports) and Managing Director, Visveswaraya Trade Promotion Centre (VTPC), Karnataka, Mr Ullas Kamath, Chairman, FICCI Karnataka State Council, Mr. K K Pillai, EPCES Regional Chairman and Ms. Sree Rajmohan, Regional Director, EPCES Cochin represented the organizing team. Ms Yogita Hatangadi, Regional Head and DGM, India EXIM Bank and Ms. Swati Bhutoria, SIDBI gave detailed information on the proposed trade assistance programs.

The program was highly appreciated, and the various questions raised by the participants were taken up and answered by the officials from the Banks. It was informed that the inputs received during the program would be duly considered by the Exim Bank while finalising the Programs / Schemes.

WEBINAR ON “WORK FROM HOME GUIDELINES (WFH)”



EPCES CSEZ, Bangalore, Cochin & Chennai Region with the support of World Trade Centre (WTC), in association with BDO India, Hyderabad organised webinar on “Work From Home Guidelines (WFH)” on 15th December, 2022 for

the benefit of the members of EPCES covering the detailed inference of the Notification dated 08th December, 2022 regarding amendments in SEZ Rules 2006 under Rule 43A Work from Home (WFH). There were 170 participants in the webinar.

The inaugural address was made by Shri K K Pillai, Regional Chairman (Officiating), EPCES, Cochin, wherein the positive impacts of WFH like reduction in Pollution & Congestion were elaborated. Shri Vivek George, World Trade Centre (WTC) Head of Bangalore location moderated the session. It was also mentioned during the session that for ease of doing business for SEZ with the efforts of EPCES, the present amendments to Rule 43A making 100% WFH up to 31st December 2023 is brought out by DoC. The Speaker of the event Ms Rajitha Boorugu, Indirect Tax Expert of BDO India, Hyderabad with extensive experience in Indirect Tax across diverse sectors explained the overview of the Rule 43A as under.

CATEGORY, PROCEDURE & PROCESS

Eligible Category:- Employees of IT/ITeS SEZ units, Employees, who are temporarily incapacitated Employees, who are travelling and Employees, who are working off site.

Procedure:- An e-mail intimation to the concerned Development Commissioner (DC), SEZ unit already having WFH in existence before Dec 08, 2022, intimation to DC to be made on or before January 31, 2023, SEZ units opting for WFH facility on or after 08.12.2022, Intimation to be made on or before the commencement of WFH, SEZ unit shall maintain the list of employees who have been permitted for WFH and submit the same for verification whenever required by the DC.

Process:- WFH available up to December 31, 2023, no limit on the number of employees covered under WFH i.e., the facility is available to 100% employees*. *Employees shall include all persons employed on the rolls of the SEZ unit or under direct contract or where the unit is the principal employer under a contract with another organization where such persons are expected to report to Unit & the Unit administers the control over the attendance.

Conditions:-

- The unit should operate from the premises from where the LOP is issued to them.
- Work to be performed by the employee for WFH under this Rule shall be as per the services approved for the unit & the work is related to a project of the unit.

- iii) The export revenue of the resultant products or services to be accounted for by the unit to which the employee is tagged.
- iv) If an employee ceases to be part of the project of the unit, the employee shall be un-tagged from the unit and the unit shall surrender the identity card as per sub-rule (2 of the rule 70 of SEZ Rules 2006.
- v) Laptop and any other duty paid goods can be removed temporarily without payment of duty and the same should be accounted for.
- vi) Such temporary removal of duty paid goods shall be allowed for the period for which it is intimated.

COMPARISION-PRE & POST AMENDMENTS

PARAMETERS	EARSTWHILE RULE 43A	PRESENT RULE 43A
Nature of Scheme	Permission based. Approval was required from Development Commissioner (DC) before commencement of work from home by making an application with required details.	Intimation based. No application is to be made.
Time limit for applicability of WFH	Upto 1 year from date of permission given by Development Commissioner (DC). May be extended, however extension available for only one year at a time.	Upto December 31, 2023.
Restriction on number of employees	Facility available only to 50% of total employees including contractual employees.	Available to 100% employees without any limit.
Permission of Specified Officer (SO) required for clearing of laptops, other electronic equipment	Yes	No permission is required.
Requirement to furnish employee list	Yes, at the time of making application for obtaining approval from DC.	No such requirement. However, SEZ unit shall maintain shall details and submit for verification whenever required by DC.



The speakers being prominent Indirect Tax Expert in the areas of SEZ Act 2005 & SEZ Rules 2006 with professional expertise in the field clarified doubts and concerns of the participants. The participants thanked the speakers and organisers as they found the session quite beneficial for them.

Shri C U Poovaiah, Regional Director, EPCES-CSEZ Bangalore, profusely thanked Shri K K Pillai, Regional Chairman (Officiating) EPCES Cochin, the speakers, WTC & BDO for their support in organising the webinar for the benefit of the EPCES members.

1. WEBINAR ON “E-INVOICING PROCESS IN GST” – 12TH OCTOBER, 2022

Directorate General of Taxpayer Services, CBIC, Chennai & Bengaluru Zonal Units organised a webinar on “E-Invoicing process in GST – An Overview and discussion” on 12th October, 2022 at 3.00 PM. Mr. Srivatsan, Authorised Officer, MEPZ SEZ made the presentation and explained about E-invoicing process under GST. More than 350 EPCES members along with the Regional Director attended the session.

Directorate General of Taxpayer Services, CBIC
Chennai & Bengaluru Zonal Units

In association with:
Confederation of Indian Industry CII, Panchsheel
The Confederation of Indian Small Scale Industries Association COISSIA
Madurai District Tying & Small Scale Industries Association MADITSSIA, Madurai
Tamil Nadu District Chamber of Commerce & Industry TDDCCI, Karaikal
All India Federation of Tax Practitioners AITFP South Zone, Kerala
Andhra Pradesh Tax Practitioners & Consultants Association APTPCA, Bhubaneswar, Odisha
Telangana Tax Practitioners Association TTPA, Telangana

Date: Wednesday, 12th October 2022
Time: 03:00pm Onwards

E INVOICING PROCESSES IN GST - AN OVERVIEW & DISCUSSION

Distinguished Speakers

Guest Speakers

Topic Speaker

Expert Panelists

Mr. M. Srivatsan, IAS, Dy. Chief Commissioner of CGST, Tamil Nadu & Puducherry Zone
Mr. A. Sakthivel, IAS, Dy. Chief Commissioner of CGST, Chennai & Bengaluru Zone
Mr. R. Srivatsan, Authorised Officer, MEPZ SEZ, Chennai
Mr. V. Narayanan, President, COISSIA
Mr. M.S. Suresh, President, MADITSSIA
Mr. T.J. Srinivas, IAS, Dy. Chief Commissioner of CGST, Karaikal
CA. Anand Suresh, Founder, AITFP
Mr. R. Srinivas, President, APTPCA
Mr. Vigneshwaran, Dy. Chief Commissioner of CGST, Chennai & Bengaluru Zone
Mr. Vigneshwaran, Dy. Chief Commissioner of CGST, Chennai & Bengaluru Zone

Scan the QR Code for Link

Presentation will be followed by Q&A session addressed by an expert panel. The session is being hosted on WebEx. Participants can login from 02:30pm. The link for joining the session is:- <https://dgtts.webex.com/dgtts/j.php?MTID=036a7a249244bdc382d34f75e0e7953b>

Meeting Number: 2514 446 2627
Password: 1234

2. EXPORTERS CONCLAVE WITH HON'BLE FINANCE MINISTER AT CHENNAI ON 16TH OCTOBER, 2022

FIEO in association with DGFT organised Exporters Conclave with Hon'ble Union Minister of Commerce & Industry, Shri Piyush Goel on 16th October, 2022 at Hotel Le Royal Meridien, Chennai. More than 300 EPCES member exporters along with Regional Vice-Chairman & Regional Director attended the event.

During the meeting, Hon'ble Minister said that India will achieve 2 trillion export targets by 2030. Hon'ble Minister keeping in view of the current geo political scenario, discussed the issues and the way forwards to keep the growth momentum for India. The session was attended by a large number of leading exporters from the state of Tamil Nadu comprising of various sectors.

India recorded new milestones in goods & services exports in the last fiscal F.Y. 2021-22, clocking US\$ 422

Bn in merchandise exports and US\$ 254 Bn in services exports. 50% of the incremental GDP in financial year, 2021-22 was contributed by the exports sector. As stated by the Hon'ble Prime Minister, exports play a key role in transition of a country from a developing to a developed status. Thus, a push in exports is required so as India to be in the comity of developed countries. Despite global headwinds, Indian exports have done reasonably well clocking 15% growth in the first six months of the current fiscal, 2022-23. At the meeting, the Minister emphasised on sustaining the export momentum and said that he is confident that Indian exports will be able to wither the global headwinds and will surpass growth in exports by a big margin. While highlighting the growth of economy towards becoming developed nation, Hon'ble Minister said that by 2047, country will become 30 trillion economy with 25% share in exports. By the year 2030, exports from India will be 2 trillion with 1 trillion product export with CAGR growth of 11 to 12% and 1 trillion service exports with CAGR of 18-19%.

The industry participants were assured that Government is committed to address the issues raised by them and many of the issues raised were resolved on the spot. The Commerce and Industry Minister urged the trade and industry to make all efforts to achieve higher export growth in this financial year.

Dr A Sakthivel, President, FIEO in his welcome address said that India is having very good opportunities for exports to Russia and the EU despite recessionary trends visible there and estimated that an additional export of US\$ 8-10 Bn to Russia in the next 12 months and US\$ 15-20 Bn to the EU can be exported. Russia's principal exports, of the total exports of US\$. However, he highlighted the liquidity problems of the exporters and requested the Hon'ble Minister for introducing Exports Refinance Facility for banks so as to refinance them at Repo rate to the extent of credit extended to the export sector. The levy of GST on exports freight has further added to our liquidity woes and FIEO President requested for intervention of Hon'ble Minister for getting exemption from GST on exports freight. Looking into the rising interest rates, which have already crossed pre-covid level, Dr. Sakthivel said that the exporters are

looking towards increasing interest subvention to 5% for MSMEs manufacturers and 3% to all in respect of 410 tariff lines.

He thanked the Hon'ble Minister for agreeing to include Iron & Steel, Pharma and Chemical sectors under the RoDTEP Scheme which will impart further competitiveness to these sectors.



Dr Shanmuga Sundaram IAS Development Commissioner, MEPZ SEZ in his address highlighted the export potentials of Tamil Nadu and as well as export from SEZ and said that the State is having highly developed industrial manufacturing eco system and one of the largest hub for production of Automobile, textiles, leather, engineering, etc.

Regional Vice Chairman flagged several issues related to FTA, logistics, RoDTEP to EOUs & SEZs, NFMIMS, PIMS, SIMS etc and representation also given to our Hon'ble Minister. Other Exporters have also flagged several issues related to the rising of cost of raw materials and subdued demand in certain key export markets



and the need for more support to the exporters in this difficult time. Industry leaders requested for including left out sectors under RoDTEP and rationalisation of existing RoDTEP rates, exploring possibility for increased support under Interest Equalisation Scheme (IES) and under Market Access Initiative (MAI), and operationalisation of Production-Linked Incentive (PLI) Schemes for additional sectors.



Other issues discussed during the session includes Need for higher subvention under the Interest Equalization Scheme both for manufacturer MSMEs and exporters of 410 tariff lines; Relief on Average Export Obligation under EPCG for Service Sector; Export Benefit extension for export to Russia under Rupee payment; Higher freight costs; Withdrawal of 50% duty of export of low-grade Iron Ore; PLI scheme for Leather, Handloom, Auto parts etc. NTBs faced by the exporters in EU, Japan, China, etc.

3. WEBINAR ON “DECODING NATIONAL LOGISTICS POLICY” ON 9TH NOVEMBER, 2022

Participated in the webinar on “Decoding National Logistics Policy conducted by WTC Bangalore. There were 210 participants for the webinar. The Speaker explained about its salient features, challenges and benefits to the exporters.

4. OPEN HOUSE & JOINT REVIEW MEETING AT HOSUR FOR EOUs – 24TH NOVEMBER, 2022

DC MEPZ SEZ organised an Open House Meet at Hosur for EOUs in and around Hosur, Krishnagiri. More than 45 units attended the session. Addl. DGFT and officials from Customs, and MEPZ also attended the session.

Development Commissioner informed the Units regarding EPCES services and appreciated the dedicated services rendered by the Regional Director, EPCES MEPZ Region. He also informed the exporters regarding the mandatory membership to be taken from EPCES for EOUs and SEZ units. Most of Units expressed satisfaction with the services rendered from EPCES Regional Office, MEPZ.

Some of the procedural issues raised by the members related to MEPZ SEZ were addressed by DC and

the concerned officers. He further informed to send representations either through EPCES or to MEPZ for procedural and policy related issues.



5. UNIT VISIT – 24TH NOVEMBER, 2022



Regional Director visited M/s. Freshra Pickles, an EOU unit, at Vaniyambadi on 24th November, 2022. Freshra Picklz is a leading food processing firm in India known for producing high-quality pickles with tastes that perfectly capture the spirit of global cuisine with healthy, nutritional, and mouth-watering pickles. Freshara has established itself in the market by integrating and harmonizing modernity with heritage.

They were chosen by the MSME, Government of Tamil Nadu - for “The State-Level Award for the best Agro-based industry 2021-22. They received the award on 16th September, 2022 by Thiru.M.K.Stalin, Hon’ble Chief Minister of Tamil Nadu.

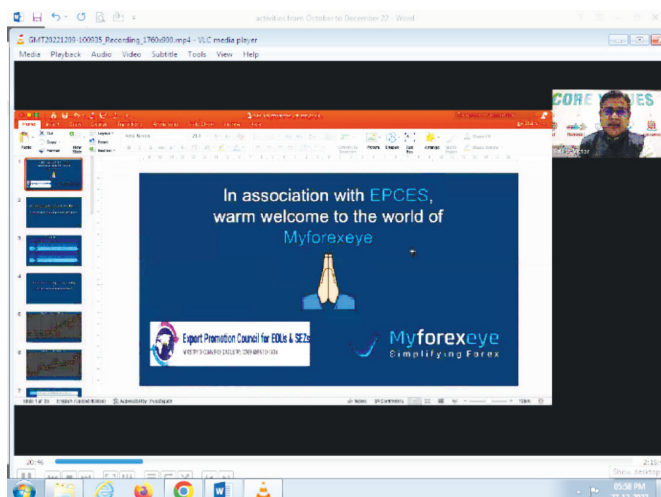
6. 12TH CII TN FINANCE CONCLAVE: 07 DECEMBER 2022: CHENNAI

CII organised Finance Conclave on 7th December at Hotel Westin, Chennai. EPCES Regional Director was also invited to attend the said conclave. The conclave was inaugurated by Dr PTR Palanivel Thiaga Rajan, Hon’ble Minister for Finance and Human Resources Management, Government of Tamil Nadu. The other key speakers were Mr Badri Nivas, MD, Country Treasurer & Head - Markets & Security Services, South Asia – CITI Bank; Mr Raghava Rao, VP (Finance) & CFO, Amazon India; Mr P Ravichandran, President, Danfoss India; Mr B C Datta, VP (Corporate Affairs), OLA Electric Pvt. Ltd.; Mr Kiran Kesavarapu, Head - Customer Engineering for Industry Solutions, Google; Mr K Vaitheeswaran, Advocate & Tax Consultant; Mr M P Vijaykumar, CFO, Sify Technologies & Independent Director, LIC; Mr Vinod G, CIO, Ashok Leyland; Mr Prathmesh Raichura, Partner, KPMG; Ms Ananthi Amarnath, Partner, Deloitte and Mr Rajesh Srinivasan, Partner, Deloitte. The Finance Conclave brought together a large gathering of CFO’s and Heads in the finance domain on a common platform to network among peers, experts and thought leaders; learn from best practices and progress together. The conclave provided a platform to discuss and deliberate on issues, opportunities, and evolving business models as we navigate in the new normal.



7. WEBINAR ON INDIAN RUPEE VOLATILITY STRATEGIES FOR EXPORTERS & IMPORTERS - FRIDAY, 9 TH DECEMBER, 2022

Export Promotion Council for EOUs & SEZs (EPCES) in association with Myforexeye Fintech Pvt. Ltd. organised a webinar to provide EPCES members to understand the contemporary subject – “Indian Rupee Volatility –



Strategies for Exporters & Importers”. Due to Hawkish stands taken by US Federal Bank and ongoing global events lot of ripples are being created in the Forex market. More than 50 EPCES members were attended the webinar. The following points were discussed during the meeting.

TOPICS:

- Managing Forex rates
- Forwards an effective tool
- Optimizing interest cost on exports
- Forex/Treasury performance evaluation

8. 12TH CII TN FINANCE CONCLAVE: 07 DECEMBER 2022: CHENNAI

DC MEPZ SEZ organised an Open House Meet at Pondicherry for EOUs in and around Pondichery on 19th December at Hotel Le Royal Park, Pondicherry. More than 45 units attended the session. Dy. DGFT, Customs, MEPZ officials and Director MSME, Regional Chairman also participated.

Development Commissioner apprised the units regarding EPCES services and also appreciated the work done

by the EPCES MEPZ Region for its members. He also informed the units regarding mandatory membership to be taken from EPCES for EOU and SEZ units. Some of the procedural issues raised by the members related to MEPZ SEZ was addressed by DC and the concerned officers.



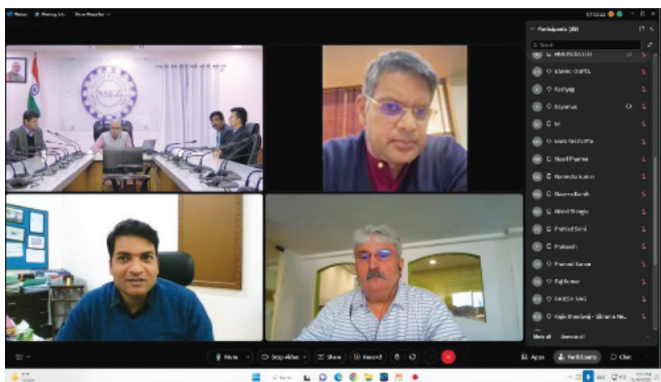
9. WEBINAR ON CORPORATE GOVERNANCE, FRAUD AND CONTROL- 20TH DECEMBER

In an evolving world where fraud and cyber-attacks are increasing, safeguarding organisations reputation, trust and public confidence is now more important than ever. Thus, World Trade Center (WTC) Cochin in association with EPCES, Chennai, Cochin & Bangalore arranged a webinar on 20th December, 2022 on Corporate Governance, Fraud and Control. During the webinar the speakers shared key insights on how to maintain strong corporate governance, minimise business risk, prevent frauds and improve on internal controls. More than 150 EPCES members attended the session.



1. HYBRID SESSION ON INDIA-UAE & INDIA-AUSTRALIA FTA'S FOR AUTO & AUTO COMPONENTS AT MANESAR

EPCES arranged participation of its SEZ and EOU unit members to attend a hybrid programme on “Export Opportunities for India’s FTA agreements with UAE and Australia” for Autos & Auto Component sector organised on 29th November 2022 held at IMT Manser, Gurgaon. The programme was organised by the office of DC NSEZ and facilitation for Generation of participation was done by EPCES Noida.



2. FREEDOM RUN AND PLANTATION CAMPAIGN ON THE EVE OF MAHATMA GANDHI JAYANTI ON 2ND OCTOBER 2022 IN NOIDA SEZ

EPCES, Noida arranged participation of its members in “Freedom Run-and Plantation campaign”, organised on Gandhi Jayanti on 2nd October 2022 by the office of Development Commissioner, Noida SEZ, Noida. Shri Sunil Puri, EPCES Regional Vice Chairman and Shri Vilas Gupta, CGC Member also participated in the event.



3. VISIT OF SHRI SUNIL BARTHAWAL, COMMERCE SECRETARY TO NSEZ ON 8TH OCTOBER 2022

EPCES Noida facilitated the visit of Shri Sunil Barthwal, Commerce Secretary to DC office NSEZ on 8th October 2022. Also, EPCES Noida facilitated for the visit of Commerce Secretary and the delegation to the units situated in NSEZ. DG EPCES, Regional Vice Chairman, EPCES Noida and Shri Vilas Gupta, CGC Member of EPCES also participated in the programme.



EXPORTERS MEET 2022

EPCES Noida arranged the participation of its members in the Exporter's Meet 2022 organised by the office of Development Commissioner NSEZ, Noida on 25th November 2022 in the Conference Hall of DC NSEZ Office. Canara Bank facilitated the meeting. Regional Vice Chairman & RGC Members of EPCES Noida and Shri Vilas Gupta CGC Member, EPCES also participated in the event.

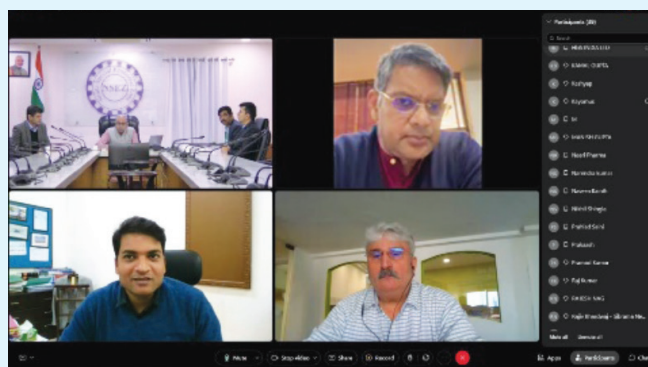


SKILL DEVELOPMENT CENTRE AT NSEZ, NOIDA

A delegation from Ministry of Skill Development & Enterprises (MSDE) and National Skill Development Council (NSDC) visited DC, NSEZ Office on 3rd November 2022 regarding setting up-of a Skill Development Centre at NSEZ Noida. Development Commissioner, NSEZ gave a presentation on NSEZ Noida. Also, MSDE and officials of NSDC gave their respective presentations. DC NSEZ led the delegation to the proposed building of the Skill Development Centre at NSEZ.

WEBINAR ON INDIA AUSTRALIA ECONOMIC CO-OPERATION AND TRADE AGREEMENT (ECTA) HELD ON 19TH DECEMBER 2022 AT DC OFFICE NSEZ

A webinar was organized by DC NSEZ on 19th December 2022 at NSEZ Noida on India Australia Economic Co-operation and Trade Agreement (ECTA). DC NSEZ gave an insightful presentation on opportunities from India-Australia ECTA and also clarified the procedure to apply for preferential certificate of origin for the units who wish to export to Australia under the preferential rates category.



1. 17th OCTOBER, 2022

Business Summit with Indian Ambassadors from 13 countries organized by Principal Secretary, Directorate of Industries, Government of Maharashtra



Figure 1 : Shri Harshdeep Kamble, IAS, Principal Secretary, Directorate of Industries Govt of Maharashtra and Dr Vipin Sharma, CEO, MIDC during the occasion

A Business Summit with Indian Ambassadors from 13 countries was organized by the Principal Secretary, Directorate of Industries, Government of Maharashtra. Development Commissioner Industries, Government of Maharashtra and CEO, MIDC were also present during the summit.

The discussions were mainly on the export potential of the state of Maharashtra, wherein the product Export Promotion Councils (EPCs) were asked to state the status of exports of their respective product group and their potential in the 13 countries which have been represented. The 13 countries were: South Africa, Australia, Chile, Egypt, Malaysia, Vietnam, Jakarta, Iraq, Czech Republic, Slovenia, Cambodia, Cameroon and United Nation.

The Ambassadors urged Indian companies to invest in these countries depending on their export products. At the outset, it was decided that an export policy for the state of Maharashtra will be framed soon.



2. 22nd OCTOBER, 2022

Hon'ble Union Minister of Commerce & Industry, Shri Piyush Goel visited SEEPZ and reviewed the progress and various initiatives being undertaken during the Golden Jubilee year celebrations. While SEEPZ SEZ has commenced the implementation of makeover projected as version 2.0. The review meeting primarily focused on the Common Facilitation Centre (CFC) being set up for the units and stake holders which is slated to be operative by 1st May 2023. CIS at DC Office SEEPZ on 22nd October, 2022

3. 26th NOVEMBER, 2022



Figure 2 : Commerce Secretary Shri Sunil Barthwal, IAS being welcomed to SEEPZ SEZ

Meeting with Shri Sunil Barthwal, IAS, Commerce Secretary, MOC, GOI at SEEPZ

Shri Sunil Barthwal, IAS, Commerce Secretary (CS), MoC, GoI visited SEEPZ-SEZ on 26th November, 2022 to review the progress of Common Facilitation Centre (CFC), NEST 1 & NEST 2 in SEEPZ SEZ and also interacted with exporters from Gems and Jewellery and Electronics sector respectively. CS was accompanied by Shri Santosh Sarangi, IAS, DGFT, Shri R K Mishra, IRS, Zonal DGFT, Mumbai and other senior officials from Zonal DGFT, Mumbai.

Shri Shyam Jagannathan, IAS, Development Commissioner and Senior officials from DC office and Customs welcomed CS. DC and the team while providing an update on SEEPZ said that the total number of operational units as on 2021-22 are SEEPZ SEZ 262, Private SEZs 574, EOU units 265 totalling to 1101 units. The total exports of the entire zone with 836 units during FY 2021-22 stood at Rs.1,54,328 cr. In the financial year 2021-22 the employment in private SEZs has been 496263, SEEPZ 63789 totalling to 560052 with a growth of 17.9%. The total exports from SEEPZ SEZ during the financial year 2021-22 were Rs 29594 cr (merchandise export Rs 27624 cr and software services Rs 1970 cr). CFC- a mega common facility centre is being developed on 57 x 53 sq m plot under the aegis of GJEPC bringing advanced manufacturing processes and related services to the jewellery units. Hon'ble CIM, during his visits to SEEPZ directed that the CFC work should be done on priority and the building shall be completed by 1st May 2023.

The team also briefed about the current status of work related to CFC and NEST 1 primarily for Gems and Jewellery Sector and NEST 2 primarily for Electronics, Hardware and Software sector. Members from Gems and

Jewellery and Electronics sector provided their inputs while interacting with CS. Further, CS visited the gems and jewellery as well as electronic units so as to have a practical view about the units. He wanted the sectors to perform well and was impressed about the CFC mega project. He wanted the unit members to come out with new ideas for such projects, like in the case of CFC. He was of the opinion that other sectors should also get the opportunity to be in SEEPZ apart from the Gems and Jewellery and the Electronics sector. Commerce Secretary Shri Sunil Barthwal, IAS being welcomed to SEEPZ SEZ

4. 15th DECEMBER, 2022

As a part of Golden Jubilee celebrations, a cyclothon of 500 kms was organized by SEEPZ SEZ from Mumbai to Pune and back. A large number of participants were seen taking part during this event.



Figure 3 : DC SEEPZ welcoming Commerce Secretary Shri Sunil Barthwal, IAS



The RoDTEP Committee viz Shri. G.K. Pillai Former Commerce Secretary, Govt. Of India and Chairman of RoDTEP Committee, Shri Gautam Ray, Former Member Customs and Member of the RoDTEP Committee Shri Y.G. Parande, Former Member CBEC and Member of RoDTEP Committee along with Shri Hasan Ahmed, Under Secretary Drawback Division, Customs wing, CBIC., Shri. Dr. Praveen Kumar ITS, Deputy Director General of Foreign Trade, DGFT visited VSEZ and Private SEZs from 18th October 2022 to 19th October 2022 for interaction with stake holders of VSEZ units.

The Committee visited Brandix SEZ units and A.P.SEZ units on 18.10.2022 and Jt. D.C VSEZ organized a meeting with exporters of Brandix SEZ and A.P. SEZ units. During the meeting, Shri G.K.Pillai explained to all the units about the benefits for SEZs & EOUs through RoDTEP scheme if it is extended for them. He also mentioned that currently, RoDTEP scheme- is not applicable for SEZs and EOUs, however, upon subsequent representations by EPCES and other trade bodies, the Government of India constituted this committee to determine the RoDTEP rates for EOUs and SEZs HSN code wise. Hence, the manufacturing SEZ and EOU units were directed to submit the data for calculation of rates in the form of Annexure B. Accordingly, upon submission of the required data, the committee will be able to fix the rates for various HSN Codes. They insisted that till now data from very few units have been received and the Chairman insisted that EOU and SEZ units to come forward and submit the data as much as possible and also explained the participants the procedure and details to fill out Annexure B point-wise. The committee strongly urged the participants to share the complete details so as the maximum incentive shall be made available to them for their respective HS Codes, otherwise the corresponding codes for which either the data is unavailable or incomplete may be considered for minimal rates category i.e. 0.5%.



Figure 4 A Glimpse of visit to the unit

The SEZ units expressed concerns over the payment of Coal cess and enquired if the same can be taken care in RoDTEP scheme, if extended to SEZ units. The Chairman informed that this committee is restricted to determine the rates of Duties and Taxes only.

List of Pending Issues with Government

Sl. No	Subject	Details	Status
1	RoDTEP to cover SEZ and EOUs	SEZs and EOUs should also be covered RoDTEP.	Government has allowed the RoDTEP Committee extended time up to 31.12.2022 to submit its final recommendations vide order dated 17.8.2022. The data received from the members has been sent to the RoDTEP Committee. The report of the Committee is awaited.
2	Early Enactment of DESH Bill	<p>DESH Bill announced in Budget Speech should be enacted immediately as its announcement has created policy uncertainty and investors are asking about the status of DESH Bill. It should cover the following key provisions:</p> <ol style="list-style-type: none"> 1. In case of SEZ to DTA supplies, customs including anti-dumping, countervailing and safeguard duties under the Custom Tariff Act, 1975 including other deferred duties may be charged on the value of imported inputs in the manufacture or provision of such goods or services. 2. Subcontracting between SEZ units to DTA units be allowed. 3. Supply of Services to DTA units should be permitted in INR. 4. co-existence of DTA units in SEZs, particularly in Services sector - a provision of unit-wise, floor wise, area wise deboning/de-notification. 	EPCES has requested Commerce Secretary and other officers on 1.1.2023 for early enactment of DESH Bill. It has also requested that pending that, reforms where consensus is between DoC and DoR may be undertaken through amendments in the existing SEZ Act and Rules.
3	Minor amendments in SEZ Acts and SEZ Rules rather than waiting for the proposed DESH ACT	<p>Rather than enacting a new Act (DESH) which may take some time, some reforms can be introduced by amending the present SEZ Act and Rules :</p> <ul style="list-style-type: none"> • Unrestricted job work between SEZ and DTA both ways. (amendment in existing Rules 41, 42 and 43). • Payment in INR for Sale of Services to DTA (Amendment in Sec 2 (z) of the existing Act). • No export duty on supply of goods to SEZ (amendment in Rule 27(1) of existing SEZ Rules). • Sale from SEZ to DTA on payment of duty benefits availed on inputs used in manufacturing of such goods (amendment in Act. Allowed in EOUs and MOOWR). This will promote manufacturing in India as SEZs are very much part of India. 	EPCES has requested Commerce Secretary and other officers on 1.1.2023 for early enactment of DESH Bill. It has also requested that pending that, reforms where consensus is between DoC and DoR may be undertaken through amendments in the existing SEZ Act and Rules.

Sl. No	Subject	Details	Status
4	Sale of goods from SEZ to DTA on duty foregone basis	For flexibility and better utilisation of SEZ capacities, SEZ units should be allowed to make DTA sale on payment of duty equivalent to duty forgone on the raw material used in the manufacture of finished goods sold in DTA market on the pattern of EOU's/MOOWR. Further, as part of "Atmanirbhar Bharat" Initiative, India is importing many products from FTA countries at zero duty. Similarly, other items are being imported. In order for import substitution and towards the cause of "Atmanirbhar Bharat", there is a case of allowing such products to be manufactured in SEZs/EOUs and sell in DTA at zero/concessional duty.	A draft of the new SEZ legislation (Development of Enterprise and Service Hubs (DESH) Bill, 2022) has been circulated by the D/o Commerce. EPCES has given its comments. The draft allows sale of goods from SEZ to DTA on duty foregone basis. The proposal is under inter-ministerial consultation stage. EPCES has requested Commerce Secretary and other officers on 1.1.2023 for early enactment of DESH Bill. It has also requested that pending that, reforms where consensus is between DoC and DoR may be undertaken through amendments in the existing SEZ Act and Rules.
5	Payment in INR to SEZ units selling services in DTA	As per Sec 2(z) of SEZ Act, services mean such tradable services which earn foreign exchange. If a SEZ unit sell services in India, as per SEZ Policy, he has to accept payment in foreign currency only. This causes avoidable wastage of time and money. There is no point in buying FE by DTA buyers to make payment to SEZ sellers.	A draft of the new SEZ legislation (Development of Enterprise and Service Hubs (DESH) Bill, 2022) has been circulated by the D/o Commerce. EPCES has given its comments. The draft allows payment in INR to SEZs units for supply of services to DTA. The proposal is under enter-ministerial consultation stage. EPCES has requested Commerce Secretary and other officers on 1.1.2023 for early enactment of DESH Bill. It has also requested that pending that, reforms where consensus is between DoC and DoR may be undertaken through amendments in the existing SEZ Act and Rules.
6	SEZ units may be allowed to do job work for DTA units and vice versa	Presently u/s Rule 43, sub-contracting for DTA unit is allowed only for export on behalf of a DTA exporter. Due to seasonal nature of some exports, the capacity of units remains unutilised for certain period of the year. Therefore, EOU's and SEZs should be allowed to do job work for DTA up to certain level of their annual capacity (say 15%) or any such restriction to ensure that units in SEZ and EOU's are able to utilise their idle capacities and provide round the year employment. Further, presently u/s Rule 41, SEZ units are allowed to subcontract a part of its production or any production process to DTA units. But there are many restrictions. These restrictions should be removed.	A draft of the new SEZ legislation (Development of Enterprise and Service Hubs (DESH) Bill, 2022) has been circulated by the D/o Commerce. EPCES has given its comments. The draft allows sale of goods from SEZ to DTA on duty foregone. The proposal is under enter-ministerial consultation stage. EPCES has requested Commerce Secretary and other officers on 1.1.2023 for early enactment of DESH Bill. It has also requested that pending that, reforms where consensus is between DoC and DoR may be undertaken through amendments in the existing SEZ Act and Rules.

Sl. No	Subject	Details	Status
7	No export duty on supplies to SEZ by DTA	U/Rule 27(1) levy of export duty has been levied on DTA supplies to SEZ, if such duty is applicable to exports from India. This should not have been done. This has been struck down by the Court as well. Such supplies should not be treated as “exports” as defined in customs act. At least it should not be applicable for supplies made to the developer/co-developer and supplies used for manufacture leading to a different finished goods (involving substantive transformation/ processing, tariff shift between inputs and finished goods, value additions, etc.)	Export Duty on Steel has been withdrawn by Government.
8	Co-existence of DTA units in SEZs / Partial De-notification / deboning of SEZ units	In case of IT/ITES SEZs, it is possible to have coexistence of SEZ and DTA units and therefore there should be a provision of unit-wise/ floor-wise/ building-wise deboning system where DTA units can operate.	A draft of the new SEZ legislation (Development of Enterprise and Service Hubs (DESH) Bill, 2022) has been circulated by the D/o Commerce. EPCES has given its comments. The draft allows the built up area in a services hub may not be required to be contiguous and the identified area of a services hub may be notified or de-notified for parts of the built up area. The proposal is under inter-ministerial consultation stage. EPCES has requested Commerce Secretary and other officers on 1.1.2023 for early enactment of DESH Bill. It has also requested that pending that, reforms where consensus is between DoC and DoR may be undertaken through amendments in the existing SEZ Act and Rules.
9	NSEZ problem: Customs duties and IGST paid for supplies to DTA removal deposited on GST portal as per directions but now lying in cash ledgers. Harassment to the SEZ units by local GST authorities	In August, 2017, following introduction of GST, PNB, NSEZ refused to accept manual TR-6 challan for payment of IGST for DTA supply from NSEZ units to DTA (Domestic Tariff Area) units. Accordingly, IGST was paid on GST portal following the decision taken in a meeting held between NSEZ association, NSEZ Customs Authorities and PNB. The NSEZ Customs accepted the IGST payment through PMT-06/CPIN challan which was endorsed and accepted by Customs against the bill of entries as per above process. However, such IGST paid though online portal, still lies in the electronic cash ledgers and has not been regularized yet by transferring it to Government account. IGST payment through TR-6 Challan again started from 21.11.2018 vide Circular No. F.L. 10/ 40/ 2016-Pro/12714 dated 20.11.2018 issued by the office of the Development Commissioner, NSEZ, Noida. Thus this is a problem related to a few units (list enclosed) for a specific period from Aug 2017 to Nov 2018. Even Government is losing revenue which is lying in the	Commerce Secretary and Revenue Secretaries have been reminded. Chairman and Vice Chairman EPCES and other members attended the meeting called by Revenue Secretary on 13/14. 12.2021 where this demand was raised again. A letter has been addressed to Revenue Secy./Commerce Secretary/AS(SEZ) by the DG EPCES on dated 10/03/2021. DG, EPCES called on Chairman CBIC and took up the matter again. Chairman CBIC has assured quick resolution of the matter. AS(SEZ) has been reminded again.

Sl. No	Subject	Details	Status
		electronic cash ledgers which should have been transferred to the Government account.	
10	Clarification regarding the liability of payment of GST/ Custom Duties by EOU (E) in case of printing of books by EOU (E) on the orders of the foreign client (F) and supply of the same under Para 6.09(b) on behalf of the foreign client (F) to DTA buyer (D) who are buying the same from foreign client (F)	Books are printed by EOU on the orders of foreign client. The contents of the books are supplied to the EOU by the foreign client. The raw material such as paper, etc. is arranged by the EOU which is used in the printing of books. The EOU gets paid in foreign exchange by the foreign client. EOU supplies (not sale) the printed books on the instructions of the foreign client to DTA buyer under Para 6.09 (b) of the FTP. There is no financial transactions between EOU and DTA buyer. DTA buyer makes the payment to foreign client for the books. The following clarification is needed in this regard: i. Is the EOU / DTA unit liable to pay GST? ii. Is the DTA unit/ EOU liable to pay Customs duties, if any ?	The matter has been taken up with D/o Commerce and D/o Revenue on 28.04.2021. This issue was again taken in the meeting called by Revenue Secretary on 14.12.2021. They have been reminded again. Director General called on Chairman CBIC and took up the matter. Chairman CBIC has assured to expedite resolution of the issue.
11	Clarification/ reconsideration of Instruction No 95 dated 11.6.2019 reg provision of facilities/amenities by units under Rule 11(5) of the SEZ Rules	Some SEZ units located in Gurugram /NOIDA have been asked for recovery of GST/Custom Duties for any exemption availed by the units for the space, goods, and other services used in setting up and running of Cafeteria, Medical room, Recreational room, Gymnasium, Crèche, Break-out area etc. in the background of the Instructions no 95 dated 11.6.2019. Instructions may be re-examined and necessary clarification/amendment may please be issued.	A Letter has been addressed to Additional Secy. (SEZ) on dated 18/03/2021 from DG EPCES requesting for instructions may be re-examined and necessary clarification/amendment may please be issued. A reminder has also been sent. This issue was again taken in the meeting called by revenue Secretary on 14.12.2021.
12	Rental charges and Maintenance charges by the Developer to Unit against the said leased premises shall continue to be at zero rated under IGST	At present as per instruction no 95 dated 11.6.2019, the Units are not eligible for any exemptions, drawbacks, concessions or any other benefits for creating or opening facilities under Rule 11(5) such as cafeteria, Crèche, Gym, etc. It must be noted that the units are utilizing the said leased premises space for cafeteria or gym for exclusive use of their own employees it should be considered incidental and important part of their authorized operations. Therefore, the 'Rental Charges' and 'Maintenance Charges' made by the Developer to Unit against the said leased premise should continue be at 'Zero rated' IGST.	
13	Increase in Lease period of SEZ units from 15-30 years to 99 years in Govt. SEZs	The SEZ units in the government owned SEZs are having the lease deeds of 15 to 30 years as decided by the SEZ Authorities of each SEZ. Some SEZs have lease deed of 15 years and some of 30 years. Whereas units at Private SEZs are having	This issue was also discussed during a VC meeting with Additional Secretary SEZ on 6.10.2020. EPCES has again taken the matter with Joint secretary SEZ, D/o Commerce. The issue was

Sl. No	Subject	Details	Status
	on private SEZ pattern to enable taking loan by units from Banks	lease deeds of 99 years similar to lease deeds applicable in the states and Union Territories. The Board of Approval in its meeting decided to allow SEZ units to have a lease deed similar to lease deeds applicable in States and Union Territories, Refer Instruction No. 98 dated 29th August 2019 issued by Ministry of Commerce and Industry. However, Later Ministry of Commerce vide its instruction no. 103 dated 11th December 2019 reversed this decision stating that the said rule is applicable for Private SEZs only. The Private SEZs are already following this rule since inception of each Private SEZ. Hence, there was no need to issue such instructions vide instruction no. 98. The units in government SEZs are unable to get benefits such as bank loans/limits against their factories because of having lease deeds of lesser period. Therefore requirement of CAP of 30 years lease period on SEZ land should be waived off.	again taken up during the visit of new Commerce Secretary to NSEZ on 8.10.2022.
14	Restoration of provisions for duty free Imports of electric items (110 Volt, Wires, holder, etc.) to be used in handicraft exports	There is provision of for duty free imports of electric items, essential embellishments, trimmings, consumable, etc. to be used in the manufacture of handicraft, garments and leather items to be exported up to 5% of the FOB Value of exports of previous year. In budget 2021-22, this was withdrawn with effect from 31.3.2021. The same was restored for some items w.e.f. 1.4.2022. However, the same has not been restored for electric items used in the handicraft items manufactured for exports and these items are not produced in India- 110 V bulbs, etc. This needs to be taken up with D/o Revenue.	This issue was taken up by Director General when he called on Chairman CBIC. Chairman CBIC has asked for certain information which is being sought from the members.
15	Doing away with the requirement for 100% physical submission of services invoices and endorsement by SEZ Specified Office for procurement of services which is against the spirit of Ease of Doing Business and adds to compliance burden	A representation from M/s Ernst and Young LLP (Requirement to obtain endorsement for procurement of goods and services and issues faced by SEZ units and developers in its compliance.) 1. SEZ Rule 30(4) requires endorsement by the authorised officer that the goods have been admitted in full into the SEZ. Further, as per CGST Act and Rules (Sec 54 r/w Rule 89), refund claims in respect of such zero-rated supplies of goods and services can be filed by the suppliers only when such endorsement by the specified officer of the zone is also filed with the application. Thus such endorsement is necessary for the refund of GST to the suppliers. 2. In this regard, it is to be noted that the SEZ online platform has two online modules (one for goods and one for services) where details of procurements made by SEZ unit and developer are required to be updated for approval by SEZ	The matter has been taken up with D/o Commerce and D/o Revenue

Sl. No	Subject	Details	Status
		<p>officers. Such approval can as well be treated as endorsement and there should not be any need for physical endorsement of each and every procurement invoice by the officer. At present, manual endorsement of each and every goods and specially service procurement invoice is being insisted upon in the SEZs even after introduction of end-to-end online compliance module on SEZ online platform. This appears impractical and is posing great challenge for the SEZ units and developers in its compliance. It not only substantially increases the time and cost of compliances by SEZ units, it is entirely against the purpose of moving SEZ compliances on the SEZ online platform. In fact, even during erstwhile regime i.e. Service tax regime when the SEZ online platform was not entirely functional, compliances by way of Form A-1, A-2 and A-3 were more simplified and required lesser time and efforts.</p>	
16	Problem faced by Free Trade Warehousing Zone in supplying goods stored by them on behalf of their Foreign Clints to Nepal	<p>Some Free Trade Warehousing Zone member of the EPCES (OnnSynex Ventures Pvt Ltd, Gurgaon and Arshiya Ltd) regarding problems being faced by them in supplying goods stored by them on behalf of their foreign clients to Nepal. Copies of their representations are attached The problem is that even though the goods stored in FTWZ are offforeignorigin, held/owned by foreign companies and have technically been not brought to India,the same are still not being able to be shipped to Nepal by Road. Indian unit in SEZ are able to send goods to Nepal however Indian importers who have held foreign goods inFTWZare not able send the same despite following the prescribed procedures in Customs Notification No. 45 dated 13-2-1963 which permits export of such goods against irrevocable Letter of Credit. The major problem being the acceptance of goods from Nepal side.</p>	
17	Difficulties faced by IT/ ITES companies in SEZ for de-bonding of used laptops and other electronic goods into the Domestic Tariff Area (DTA)	<p>At present because of SEZ Rule 34 (iv) and Rule 47, and due to provision of Para 2.17 of the FTP, import authorisation is being insisted for the disposal of laptops and other electronic goods. These goods were imported and were used by the SEZ units for quite some time and now because of different reasons (units deciding to exit from SEZs, obsolescence, etc.), SEZ units wants to dispose them in DTA. First of all, it is not clear as to who will issue import authorisation to a SEZ unit - A DGFT or Development Commissioner, SEZ. However, even if that is clarified, the process of obtaining import authorisation is tedious as NOC from M/o Electronics and Information Technology and D/o Telecommunications are asked for which remain pending for a long time.</p>	

Sl. No	Subject	Details	Status
18	Problem faced by the GIDC, a developer, in de-notification of Ahmedabad Apparel Park (SEZ) as four units out of 15 functional units are not agreeing for the de-notification	<p>The Developer, GIDC is ready for partial as well as full de-notification. However, the proposal is not being considered by the Department in view of the non-submission of the following documents:</p> <ol style="list-style-type: none"> DC Certificate which can be submitted only when all units agree to the proposal. DC recommendation in C-6 form which can be issued when all units have been de-bonded. NOC of Specified officer which can be issued only after unit stop production activities and a final date can be decided for calculation of duty benefits availed by units and developer. 	
19	The inclusion of “Transport of Goods in Vessel” as default Authorised services for units in SEZs as requested by the Kandla SEZ Industries Association so that SEZ units may continue to avail zero-rated supply of services without paying IGST	The representation received from the Kandla SEZ Industries Association.. This is required in view of the exemption from IGST on “Transport of Goods in Vessel” (heading 9965) given vide M/o Finance Notification No 7/2021 dated 30.9.2021 not getting extended beyond 30.9.2022.	
20	Drawback claims of SEZ unit for payment made in INR for the supplies made by DTA unit	Rejection of drawback claims of a SEZ unit (M/s WELLFIT Auto Care Industries) in Cochin SEZ by SEZ Customs Authorities on the ground that as per SEZ Rule 24(3), payment should be made in foreign currency instead of the same in INR even though the payments to suppliers were made after converting from EEFC account to INR at the level of their AD Bank.	
21	Construction of a proper Customs Inspection Platform/Shed In Moradabad SEZ in Moradabad, Uttar Pradesh	There Is no proper Customs Inspection platform/shed. The incoming and outgoing goods are needed to be inspected by the Customs at the Entry/ Exit gates of the Zone. In the absence of a proper covered industrial platform / shed at the Gate, the Customs officials are inspecting the containers including goods for export. in the open at road-side, which is a serious breach of the CT-PAT (Customs Trade Partnership Against Terrorism) regulations as the containers are being left in open on the road on a non-secure area. Besides goods are damaged due to opening and re-packing of the goods in the open space at the road side.	

Sl. No	Subject	Details	Status
22	Permission of sale of products in DTA by EOU	On the pattern of MOOWR, 2019 scheme of customs, EOUs may also be allowed to sell in DTA on payment of duty forgone on raw material and counting this towards stipulation for NFE may be waived off.	
23	GST on the warehousing services provided to foreigners in FTWZ	Providing warehousing services in India to foreign clients and receiving consideration for such services in FE should be treated as export of services. FTWZ Units are allowed to store goods on behalf of Foreign Supplier (as per Rule 18(5) and DTA Buyer/Supplier & Foreign Buyer (as per Instruction 60). In spite of FTWZ being Special Economic Zone wherein no GST can be levied, GST is being levied on the bill issued for goods stored to Foreign Buyer and Suppliers as they have no physical presence in India, while Indian Buyers and Supplier are able to claim the GST input credit. Pre GST era, foreign clients were exempted from Service Tax but post GST, 18% GST is levied on services rendered and consumed within FTWZ by these foreign clients. This is resulting into export of taxes from India. problem is due to the definition of export of services u/s2(6)(iii) of IGST Act which says that the place of supply of services should be outside India. In fact, it (iii) should say outside India or in SEZ/FTWZ. Similarly, Section 13(3(a) should be amended to exclude SEZ/FTWZ.	
24	Transshipment of Containers/ Cargo from Port to FTWZ on the basis of transshipment bond	In a normal SEZ, the Units consume the goods and hence they file Bill of Entry (BOE) at the time of goods being transhipped from Port to SEZ. However, in an FTWZ, the goods are not consumed and they are only warehoused. Further, the volume of containers is many times larger than that in case of an SEZ unit. It is, therefore, proposed that Rule 28(6) and Rule 29(2) be amended to allow transshipment of containers in case of FTWZ units on the basis of the Transshipment Bond submitted at the Port.	
25	Exemption of GST on services rendered and consumed within the FTWZ	The issue was submitted to Ministry of Commerce & Industry and SEZ Section sent its recommendations to Principal Commissioner (GST-1) and GST Law Review Committee	

EPCES Members Query - Indirect Tax

SR. NO	DETAILS OF EPCES MEMBER	QUERY FROM MEMBER	RESPONSE BY EPCES
1	Shri. Sumit Sachan Under Secretary (SEZ), Department of Commerce, Ministry of Commerce & Industry, Vanijya Bhavan, New Delhi.	<p>I am directed to refer to the subject mentioned above and to request that the following clarifications may please be provided to this Division at the earliest:</p> <ol style="list-style-type: none"> Person responsible for Filing DTA BE : <ol style="list-style-type: none"> Whether only SEZ Unit is to file DTA BE ? If not, do we mandate Buyer to possess IEC Code for the same. In some cases, where the post import conditions like IGCR etc. are availed, should Buyer be mandated to file, so that obligations are fastened. Otherwise, the procedure to ensure that SEZ Unit takes responsible for meeting post import obligations. Clarity on the relevant date for calculation of duty for DTA clearance: Reference is already made for providing clarity on the same. An in-principle approval for go-ahead may be given for development. List of Export Benefits available to SEZ Exports and modality: IGST Refunds; Drawback; Any other benefit. PGA Clearance : List of PGAs where the clearance is required for DTA BEs List of Depts. along with the formats, to whom the data is shared by SEZ Online. Implementing UNECE recommendation to use of LOCOD suffix "A" instead of "6" for SEZs. This issues with the approval of Competent Authority. 	<ol style="list-style-type: none"> Person responsible for Filing DTA BE : <ol style="list-style-type: none"> DTA unit is required to file BoE for clearances of goods from SEZ to DTA. However, SEZ unit may also file BoE on behalf of DTA buyer (Rule 48 of SEZ Rules). Not presently - DTA buyer has to give either IEC or PAN at the time of filing BoE DTA buyers should be mandated to file BoE in case any import incentive/ concession is to be availed. Relevant date for calculation of duty determined as per Customs Act i.e. date of filing BoE. None of the above benefits available to SEZ exporters vis-à-vis DTA exporters Uniform practice required to be followed for GST refunds SEIS claim applications by SEZ units pending to be disposed off Benefits of RoDTEP to SEZ units yet to be allowed. Customs officer assigns relevant PGAs depending upon nature of goods cleared from SEZ to DTA unit. NSDL monitors list of departments with whom data is shared by SEZ online portal Suggested recommendation of change of LOCOD by UNECE is covered under proposed reforms in customs administration of SEZs issued by DGEP - same needs to be assessed post implementation on ICEGATE.

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2	Received Through WhatsApp	How we shall get export incentive on export service bills. Please advise.	There has been no export incentive scheme for services exports over the past two fiscal years — 2020-21 and 2021-22. SEIS was the only central service export incentive scheme rolled out in 2015 as part of the existing foreign trade policy, but the scheme wasn't notified after 2019-20.
3	Yadwinder	Could you please confirm the due date for Filing APR for the year 2021-22.	Please note that the due date of filing APR pertaining to FY 21-22 for a SEZ unit was 30th Sept 2022.
4	Mohan Prajapati SKAPS Industries (i) Pvt. Ltd.	What is the documents process from MOOWR TO SEZ supply and vice versa ?	<p>In reference to your below mail with respect to documentation for removal of goods from bonded warehouse under MOOWR, 2019 to SEZ unit and vice versa, please find below our responses:</p> <p>Scenario 1: Transfer from Private Bonded Warehouse to SEZ Procedure under MOOWR Scheme on the transferor. The procedure for removal of goods from a unit operating under Section 65 of the Customs Act 1962 is spelled out in Manufacture and Other Operations in Warehouse (no. 2) Regulations, 2019, read with Circular No. 34/2019-Customs dated 1st October 2019 (attached herewith). The regulations do not specify a separate procedure for clearance into a Special Economic Zone and thus, a SEZ unit can be considered as a warehouse not operating under Section 65. As per the said regulations, “a licensee shall allow transfer of warehoused goods to another warehouse or to a customs station for export, with due intimation to the bond officer on the Form* for transfer of goods from a warehouse.” Subsequently after intimation, the licensee shall-</p> <ol style="list-style-type: none"> allow removal of the goods and their loading onto the means of transport; affix a one-time-lock to the means of transport; endorse the number of the one-time-lock on the Form* and retain a copy thereof; endorse the number of the one-time-lock on the transport document and retain a copy thereof;

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			<p>v. take into record the removal of the goods; and</p> <p>vi. cause to be delivered, copies of the retained documents to the bond officer. Procedure under SEZ Rules, 2006 on the transferee Sub-rule (4) of Rule 28 of SEZ Rules, 2006 states that the Unit or Developer may also procure goods required for the authorized operations, without payment of duty, from International Exhibitions held in India or from bonded warehouses set up under the Foreign Trade Policy and under the Customs Act in the Domestic Tariff Area". The SEZ would file an ex-bond bill of entry for movement of goods from the warehouse. Further, as per Rule 29(2)(g) of the said rules, the Special Economic Zone importer shall submit fifth copy of Bill of Entry bearing endorsement of the authorized officer that the goods have been received in Special Economic Zone, to the Customs Officer private bonded warehouses within forty-five days from the date of clearance of goods from such private bonded warehouse, failing which the officer in charge of such private bonded warehouse shall write to the Specified Officer for raising demand of applicable duty from the Special Economic Zone importer.</p> <p>Scenario 2: Transfer from SEZ to Private Bonded Warehouse</p> <p>Procedure under SEZ provisions on the transferor. As per Rule 46(13), an SEZ unit can clear the goods to a bonded warehouse without payment of duty. As per the existing procedure in SEZ, no warehousing bond is executed against the clearance of goods from SEZ to warehouses operating under Section 65 of the Customs Act. In light of the above, the detailed procedure as stated in the Public Notice No.16/2021 dated 5th April, 2021 (attached) is elucidated below:</p> <p>i. The bonded warehouse operating under Section 65 intending to receive goods from SEZ without payment of duty shall execute a triple duty bond with the Assistant / Deputy Commissioner</p>

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			<p>(As per Section 59 of the Customs Act, 1962) in charge of the Warehouse Management Cell (WMC). A bond may be a running bond or a bond for a specific consignment.</p> <p>ii. The Deputy/Assistant Commissioner shall give permission for procurement of goods from the SEZ unit for the specified quantity and description of goods.</p> <p>iii. The SEZ unit shall allow filing of Bill of Entry by the unit for the supply of goods to the warehouse against the Letter issued by the Deputy/Assistant Commissioner of Customs, WMC.</p> <p>iv. The unit shall report the goods procured from SEZ as per entries at Column No.01 to 14 under receipts in the format specified under Circular 34/2019 in the monthly returns filed with the WMC. If the goods procured are sold as such, the columns 68 to 81 may be separately shown as SEZ procurement.</p> <p>v. Upon satisfactory accounting of the goods which are used for manufacture of resultant goods as per the Input Output Norms, upon payment of duty on clearance of resultant goods, the Bond shall be discharged. The duty on scrap shall also be paid, as applicable. The responsibility to follow the procedure shall be the responsibility of the Licensee. Kindly note, no goods from the SEZ units shall be allowed to be warehoused unless the same are covered by Section 59 bond mentioned above. Procedure under MOOWR Scheme on the transferee – Circular As per the Para 11 of the MOOWR Regulation, 2019, “upon receipt of goods from another warehouse, the licensee shall</p> <p>i. verify the one-time-lock affixed on the load compartment of the means of transport carrying the goods to the warehouse;</p> <p>ii. inform the bond officer immediately if the one-time-lock is not found intact and refuse the unloading of the goods;</p>

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			<p>iii. allow unloading, provided the one-time-lock is found intact and verify the quantity of goods received by reconciling with, -in case of goods received from a unit operating under section 65, the Form* appended to these regulations;</p> <p>in case of goods received from a warehouse not operating under section 65, the Form* as prescribed under the Warehoused Goods (Removal) Regulations, 2016;</p> <p>iv. report any discrepancy in the quantity of the goods within twenty-four hours to the bond officer;</p> <p>v. endorse the Form* for transfer of goods from a warehouse with quantity received and retain a copy thereof;</p> <p>vi. acknowledge the receipt of goods by endorsing the transportation document presented by the carrier of the goods and retain a copy thereof;</p> <p>vii. take into record the goods received; and</p> <p>viii. cause to be delivered, copies of the retained documents to the bond officer and to the warehouse keeper of the warehouse from where the goods have been received.”</p> <p>*“Form” refers to the form appended to the MOOWR, 2019 (enclosed herewith separately).</p>
5	Kavitha Kanthan WeRoute Global Fund Solutions Pvt Ltd	In continuation to the below query, Please confirm whether we need to file any GSTR-1 & 3B filings & payments for Import of Software services for our authorised operations.	We understand that said services are procured for authorized operations of the SEZ unit. In such cases, SEZ units are exempt from paying GST liability under reverse charge, where the procurements are made for authorized operations.
6	Sekhar	As per above circular no.33/2016 -customs, AEO T2 certified organizations will clear the SEZ units clearances by using deferred duty payment option? or this is used for which type of clearances please suggest.	As per Circular No. 33/2016-Customs, every eligible importer certified as AEO-T2/AEO-T3 can avail the benefit of deferred duty payment. As per Rule 4 of the Deferred Payment of Import Duty Rules, 2016 an eligible importer who intends

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			<p>to avail the benefit of deferred payment has to intimate his intent to the jurisdictional Principal Commissioner of Customs or the Commissioner of Customs and get registered on the ICEGATE site. The above benefit acts as a mechanism for delinking duty payment from Customs clearance. It is based on the principle 'Clear First-Pay later'. Thus, it is applicable for all the customs clearances. However, the eligible importer, who intends to make deferred payment, or his authorised representative, shall indicate the same using flag "D" in the Payment Method column of each Bill of Entry filed. Further, there should be no default in 90 days/no arrear. In case of default, this facility shall not be restored unless the eligible importer has paid the duty in full along with the interest. Trust the same clarifies. In case of any further queries, request you to share the same over e-mail for immediate response.</p>
7	Rahul Kalburgi Aequs Special Economic Zone	<p>There was an accidental fire in the premises of one of our SEZ unit holders. The assessment of damage to immovable property (i.e. building owned by Developer) and capital goods, FG, RM and consumables (owned by the unit) is under progress. We would like to know the following:</p> <ul style="list-style-type: none"> - What are the procedural requirements to be complied under the SEZ Law or any other law (Customs/GST/FTP) in relation to subject incident - Duty implications on the goods destroyed by fire. Few goods such as capex could have been imported and balance are procured domestically. - Is there any implication under the GST Law. All the goods (which have been destroyed) have been procured under exemption without payment of customs duty/GST. - Taxability of amount receivable from the Insurance company. Your earliest response will be appreciated. Let us know if you need any clarifications. 	<ol style="list-style-type: none"> 1. What are the procedural requirements to be complied under the SEZ Law or any other law (Customs/GST/FTP) in relation to subject incident. <ul style="list-style-type: none"> - There is no specific procedure as such mentioned in the SEZ law regarding reporting of goods lost by fire or any other natural calamities. However, as a precaution the unit may communicate the same to the AO and SO of the SEZ. Further, duty implications and procedural aspects will be determined once the valuation and estimation of damage caused is evaluated. 2. Duty implications on the goods destroyed by fire. Few goods such as capex could have been imported and balance are procured domestically. <ul style="list-style-type: none"> - Rule 34 of SEZ Rules, 2006 provides that the goods procured by the SEZ unit or developer should only be used for carrying the authorized operations and if the goods are unutilized the duty will be chargeable on such goods as if these goods have been cleared for home consumption. In case, any of the goods which are imported duty free are partially destroyed and such goods are

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			<p>sold as scrap in DTA applicable duty needs to be discharged. In case the goods are completely destroyed and no further sale is made to DTA, no payment of duty is required.</p> <p>3. Is there any implication under the GST Law. All the goods (which have been destroyed) have been procured under exemption without payment of customs duty/GST. - As per the provisions of Section 17(5) of the CGST Act, any ITC availed on the goods destroyed has to be reversed.</p> <p>4. Taxability of amount receivable from the Insurance company. From an indirect tax perspective, GST need not be paid on the insurance amount received as there is no underlying supply. From a direct tax perspective, as per section 45(1A) of Income Tax Act, any profit arising on receipt of claim from Insurance company on account of damage or destruction of capital asset would be treated as Capital Gain of the year in which such claim is received. Here profit means (Claim amount received – Cost of asset damaged or destroyed) and not whole claim amount received from insurance company. For example, If a company has lost a machinery due to some fire at plant and WDV of machinery was Rs 10 lacs and compensation received is Rs 12 lacs then Rs 2 lacs will be treated as capital gain. On the other hand if claim amount was only Rs 6 Lacs then Rs 4 lacs will be treated as loss under the head “Capital Gain”. As per Section 10AA of Income Tax act, 1961.</p> <p>i. “export turnover” means the consideration in respect of export by the undertaking, being the Unit of articles or things or services received in, or brought into, India by the assessee but does not include freight, telecommunication charges or insurance attributable to the delivery of the articles or things outside India</p>

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			<p>or expenses, if any, incurred in foreign exchange in rendering of services (including computer software) outside India; Hence, Section 10AA benefit will not be available to the Insurance proceeds received on Capital Assets, and Capital Gain calculated as per section 45(1A) will be taxable at the rate of 20%.</p>
8	Vinay Kumar Phoenix India	Thanks for the response for the query in the trailing mail. As the work done by Vendor is outside SEZ, can you please share any document/ provision which strengthens that even if the work done outside SEZ for the authorised operations of SEZ is entitled for tax benefits.	As mentioned in the trail mail, services provided by the contractor to SEZ developer forms part of default list of services (SI. No. 55 - Works contract services) as notified by Department of Commerce (SEZ Section) (copy enclosed for your reference). Additionally, to rule out any future tax dispute you may obtain an approval from DC office in advance citing facts of the works contract services before commencement of such services.
9	Selvam Jagannathan Godrej Interio	As you all know that the India-Australia Economic Cooperation and Trade Agreement (ECTA) was signed between the two countries in April 2022 and it will come into force from December 29 after both countries completed all formalities, paving the way for two-way duty-free trade. We have been doing business in Australia for more two decades and they are one of the major customers for us. Our customer has asked us as a shipper what are all the documents you will be sending us along with other shipping documents to clear the goods at Zero rate customs duty in Australia for the goods received from India as per the ECTA mentioned above. So, we request you to advise us what documents/certificates we should provide as an exporter to our Australian customer, enabling them to clear the goods at Zero rate customs duty in Australia.	Exporters to Australia will have to get and upload Preferential Certificate of Origin in respect of exports to Australia to get preferential duty benefits under the agreement. D/o Commerce may be issuing notification for the same. Preferential COO can be obtained from DGFT website https://coo.dgft.gov.in/

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10	Anbarasu Thambiran Director Filtercat Products Pvt. Ltd.	Our company M/s. Filtercat Products Private Limited, is an 100% EOU engaged in the business of manufacturing and exporting Catalytic Converters and Diesel Particulate Filters for the Passenger Cars since 2014. Until now, all the goods manufactured were export fully and we never had a possibility of selling our products in India. Now, one Indian customer has approached us to buy our product and still negotiations are on its way to finalize the business with them. Meantime, we would like to know from you the limitations on DTA sales by an EOU and procedures to be followed prior and post to the sales transactions. Also we would like to know the tax structure to be adopted on DTA sales. Expecting your professional advice and guidance on this.	We understand that M/s. Filtercat Products Private Limited (the 'Company') is an 100% EOU engaged in business of manufacturing and exporting Catalytic Converters and Diesel Particulate Filters for the Passenger Cars. The unit has a proposal from a domestic customer and is planning to execute a sale in DTA once negotiations are finalised. In this regard, the company would like to understand the limitations on proposed DTA sales and procedures to be followed prior and post the sale transactions including the tax structure to be adopted on such DTA sales: Please find below our response in relation to the same. Notification No. 52/2003-Customs, dated 31 March 2003 provides exemption for the 100% Export Oriented Units (EOU) from payment of duty of customs duty and additional duty. Upon introduction of GST, the said notification has been substituted with effect from 01.07.2017 as to mention that the exemption benefit stated above shall not apply to inputs which are used in the manufacture of finished goods that are intended to be supplied in DTA on payment of applicable GST; Further, para 6.08 of the Foreign Trade Policy were also been substituted with effective from 1 July 2017 which now provides that EOUs may supply to DTA on payment of GST and compensation cess along with reversal of duties of Custom leviable which were availed as exemption earlier i.e. Basic customs duty is required to be paid, in case the EOUs import the inputs availing exemption under the said notification but finished goods are cleared for DTA on payment of applicable GST; Hence, the exemption benefit claimed by the Company as an 100% EOU unit won't be applicable for the proposed DTA sale. The Company on each DTA sale to be made needs to reverse the customs duty exemption claimed at the time of import and pay applicable GST on the sale made in DTA at the rate as specified Therefore, it is recommended for the company to maintain a separate track on the inputs that are used for the manufacture of finished goods that are intended for DTA sale, since the same is

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			subject to payment of duties. Further, with regard to the tax structure to be adopted on DTA sales, the Company would be subject to discharge applicable GST as prescribed by CBIC, based on the HSN code of the said finished goods that are intended for the DTA sale.
11	Dipak Mistry Sr. Manager F & A Tarasafe International Pvt. Ltd. 6,7,8,9 Apparel Park, Gidc, SEZ	Please advise enclosed TRU clarification is binding on GST department.	Please note that captioned TRU was issued to clarify the applicability of GST liability under RCM for SEZ units. Hence, SEZ units and GST authorities both may refer to the captioned TRU in case of any clarification required regarding RCM transactions.
12	Dipak Mistry Sr. Manager F & A Tarasafe International Pvt. Ltd. 6,7,8,9 Apparel Park, Gidc, SEZ	Recently RBI and FTP 15-20 changes, allow to export by invoicing in INR. 1. Can DTA unit invoice in INR to SEZ unit when supply the goods under claim of drawback in view of recent change ? 2. If yes, Pl. advise what procedure is require to follow for above transaction after recent change.	Please note that DGFT has amended para 2.52 of FTP pertaining to 'Denomination of Export Contracts' to permit invoicing, payment, and settlement of exports and imports in INR in sync with RBI's recent circular (Circular No.10 dated 11 July 2022). Accordingly, above changes for export realization in INR have been notified in following export promotion schemes: <ul style="list-style-type: none"> • goods imported for export (para 2.46); • export proceeds realized in INR against exports to Iran (para 2.53); • export performance for recognition as Status Holders on basis of FOB of export earnings in INR (para 3.20); • realization of export proceeds in INR under Advance Authorization (AA) and Duty Free Import Authorization (DFIA) scheme (para 4.21); • realization of export proceeds in INR under Export Promotion Capital Goods (EPCG) Scheme (para 5.11). Further, please note that there is no specific clarification regarding the benefit of drawback in case of DTA to SEZ supplies.
13	M Latchi Raju Head - Finance Viruj Pharmaceuticals Pvt Ltd	We are a Unit Holder in Arshiya FTWZ for the last 5 years. We purchase goods from DTA suppliers and make payments in USD. Our Bankers – Kotak Mahindra Bank has been treating these payments as import payments and are now asking	As per Para C.7.1 of FED Master Direction No. 17/2016-17 issued by RBI, for goods imported and stored in Free Trade Warehousing Zone (FTWZ) or SEZ Unit warehouses or Customs bonded warehouses, As per Para C.7.1 of FED

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		<p>for Bill of Entry copies for these transactions. We have told them that only Bill of Export will be generated for the DTA supplier and there will be no Bill of Entry but they are not convinced. They advised that all these entries are outstanding and if Bill of Entry details are not provided immediately, they may have to report to RBI and put us under Caution List. We request your kind guidance/help to overcome this problem. If there are any instructions/document from RBI in this regard, that would be very helpful for us.</p>	<p>Master Direction No. 17/2016-17 issued by RBI, for goods imported and stored in Free Trade Warehousing Zone (FTWZ) or SEZ Unit warehouses or Customs bonded warehouses, etc., the Exchange Control Copy of the Ex-Bond Bill of Entry or Bill of Entry issued by Customs Authorities, the importer shall submit applicable BoE number, port code and date for marking evidence of import under IDPMS as detailed in para C.8. However, AD Category – I bank may accept, in lieu of Exchange Control Copy of Bill of Entry for home consumption, a certificate from the Chief Executive Officer (CEO) or auditor of the company that the goods for which remittance was made have actually been imported into India provided :-</p> <ol style="list-style-type: none"> The amount of foreign exchange remitted is less than USD 1,000,000 or its equivalent and The importer is a company listed on a stock exchange in India and whose net worth is not less than Rs.100 crore as on the date of its last audited balance sheet, or, the importer is a public sector company or an undertaking of the Government of India or its departments. <p>Based on the above, the bill of entry has to be submitted to the banks for evidencing proof of import. Please find attached a copy of Master directors issued by RBI in relation to import of goods or services for your reference.</p>
14	Vinay Kumar Phoenix India	<p>Clarification on availability of GST Zero benefit to SEZ developer. We are developing an SEZ, as part of development, we have engaged the contractor and issued the work order (works contract) for laying cable from Power supply substation (which is located out side SEZ) to our SEZ notified area. This work is mandatorily required to get the power supply to the SEZ notified area for its authorised operations. The contractor has brought the cable and laid from Power Sub station to SEZ notified area. Can you</p>	<p>Please note that services provided by the contractor to SEZ developer forms part of default list of services (SI. No. 55 - Works contract services) as notified by Department of Commerce (SEZ Section). Accordingly, the same would form part of authorized operations. Hence, the SEZ developer can claim the benefit of zero-rated supply for such services procured.</p>

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		please confirm whether SEZ Developer entitled for GST zero rate benefit under LUT on the invoice raised by the Contractor on SEZ developer.	
15	Pals Plush India Pvt Ltd - DTA Unit SC. No. VSP1211 Plot No. 45, 46, 47 Apparel Park, Block E, Auto Nagar, Gajuwaka, Visakhapatnam, Andhra Pradesh - 530012.	A shipment of import materials from China has been delivered to the Vizag unit. How do we refund customs (BCD) duty, kindly advice below address for your reference.	We understand Company is importing goods from China and discharging basic custom duty (BCD) on said import. Please note that BCD paid during import of goods would form cost to the Company.
16	Kavitha Kanthan We Route Global Fund Solutions Pvt Ltd	We are representing from WeRoute Global Fund Solutions, based at GIFT City Gujarat, We intend to import the software services from USA to Gift City Gujarat unit. With reference to the mentioned circulars, Please confirm whether we need to initiate any Bill of Entry in SEZ Online system and please guide us through the process on priority as the circular states that the same is not available in ICES currently and hence discussion is required to automate further.	We understand that the unit is intending to import software services from USA. In this regard, please note that basis DGEP letter No DGEP/SEZ/14/2022 dated 18.8.2022, units are not required to report procurement of services from overseas on ICEGATE portal. Since, filing of bill of entry is not required for import of services.
17	Mahesh Kulkarni ASB International Pvt. Ltd.,- India	As you all know we are an EOU engaged in Manufacture & Exports of Moulding Machines & Molds. These Machines & Molds are suitable for manufacture of Plastic Bottles used for packaging. Pls be informed that we will be participating in an Exhibition in India. For this reason we will be importing few samples for display at our stall. These samples will be filled samples bottles containing Hair Oil, Body oil, Body wash, Hair wash, Mineral water, Sauce, Juice etc. These filled bottles will be sent from different countries on FOC Basis. These samples will be displayed at our stall in exhibition and later on can be captive used at our factory. The quantity will not be commercial quantity i.e. Less than 10 Pcs for display purpose in each category. Kindly advice & guide us on line of action and documents requirement for Import of these samples.	In relation to your query in trail mail, we understand that the unit is importing a few sample plastic bottles from different countries on FOC basis for exhibition purposes. As per Para 2.06 of Chapter 2 of FTP, following documents are required to be furnished for import of goods into India: 1. Bill of Lading/Airway Bill/Lorry Receipt/ Railway Receipt/Postal Receipt in form CN-22 or CN 23 as the case may be. 2. Commercial Invoice cum Packing List 3. Bill of Entry Further, import of samples are regulated by Para 2.65 of Handbook of Procedures and notifications issued thereunder, which states that: 1. No Authorisation shall be required for Import of bonafide technical and trade samples of items restricted in ITC (HS) except vegetable seeds, bees and new drugs. Samples of

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			<p>I tea not exceeding ₹ 2000 (CIF) in one consignment shall be allowed without an Authorisation by any person connected with Tea industry.</p> <p>2. Duty free import of samples upto ₹ 3,00,000 for all exporters shall be allowed as per terms and conditions of Customs Notification. Accordingly, samples can be imported after complying with the above requirements and terms and conditions mentioned under Notification No. 52/03-Cus. dated. 31.3.2003. Further, an intimation of such import shall be filed with the jurisdictional DC office.</p>
18	R. Krishnamurthy DHL	<p>We have a biz model at our unit in JM FTWZ & NDR FTWZ where in Indian client who is selling the Imported goods to Overseas clients within the same unit and the overseas clients who export the goods to their buyers in other countries is requesting for a Non preferential COO certificate stating these are merchandise goods imported from other countries. We approached almost all the Chamber of Commerce and they are refusing to issue the certificate in the absence of 40% minimum value addition, secondly their certificate formats clearly states that these goods are produced & mfd in India. They can't modify these standard formats it seems. In such cases how we can get a certificate stating that these are merchandise goods which were imported from other countries are exported from India Is there any possible solution. One overseas client at Bangladesh insisting for a Non preferential COO,. can you please guide us</p>	<p>Please find below our reply for your query. Our Understanding :-</p> <p>The company is importing various goods into an FTWZ from a vendor located within India and thereafter exporting the said goods as such to its customers outside India. One of the customer outside India is requesting for Non-Preferential Certificate of Origin for the said goods stating these are merchandise goods imported from other countries. Our analysis and recommendation: Members of WTO, in the Uruguay Round of Multilateral Trade Negotiations, executed Rules of Origin Agreement which became the sole criteria to define economic nationality of goods. India has also adopted these Rules and incorporated relevant provisions in our Foreign Trade Policy ('FTP'). As per Para 2.106 of HBP 2015-20, Rules of origin determine the origin of a good for the purpose of exports to a trading partner. Under a Free Trade Agreement, Preferential Trade Agreement or a unilateral tariff concession, tariff concessions are granted by an importing country only if these rules of origin are adhered to. FTP provides for both preferential and non-preferential COO and we understand that the customer of the company has requested for a non-preferential COO. Para 2.108 of HBP provides for Rules of Origin for non-preferential goods. As per the said rules,</p>

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			goods are to be manufactured by the exporting entity as per the definition of “Manufacture” in Paragraph 9.31 of FTP. In the current scenario, the company is exporting goods which were imported without any value addition. Therefore, the designated authorities may not issue a COO. Further, there is no specific procedure in FTP with regard to issuance of such certificate for these goods. Therefore, along with the export documents, the company may share the COO received from the Importing country to substantiate the origin of goods to its customers.
19	Freshara Picklz Exports No.3/9, Puram Prakasam Road, Balaji Nagar, Chennai - 600 014 Tamilnadu, India. Contact Nos: +91 44 4357 0138 Mobile No: +91 98947 84223	We have done one shipment to IRAQ via Iran Port (Bandar-Abbas Port) - Final Destination is Erbil, Iraq against for the above consignment we received the payment and credited to our account now our KMBL rejected our request to close the bill against the payment received due to cargo transited via IRAN but actually Cargo reached the IRAQ country. We have not done any shipment to Iran directly..Kindly request your goodself to help us - how we can close this bill in our EDPMS - if u have any notification and other circular - pls share it is very helpful to us.	We understand that the unit has exported to Iraq via Iran and realised the amount as advance. Further, the AD banker is not accepting payment received against such order due to restrictions placed on exports to Iran. In such cases where AD banker is not satisfied with the explanation and documentary evidence produced by the exporter to regularize such transaction, it is recommended that the exporter should write a letter along with sufficient documentary evidence to the AD banker to approach the regional RBI office. Through such letter the AD banker would seek necessary approval for this transaction. Please note that such application to seek for RBI approval is to be necessarily routed through exporter's AD banker.
20	Murugan Reddy +91 6384767239 Larsen & Toubro Limited	As per the below clarification Whether duties & taxes are applicable in case of goods removed from SEZ to DTA as per the below stated transaction, since the consideration is in foreign currency and delivery to be in India or is there any exemption is available.	We understand that you have received an export order from a customer and based on their instruction delivered the goods to a third party in DTA. In such a scenario, as the goods have not moved outside India, such supply will not qualify as exports. Therefore, Customs Duty and IGST will be required to be paid at the time of clearing goods out of SEZ. Please note that provision mentioned in your email pertains to Rule 18(6) which discussed about setting up of unit for providing services or manufacturing services to Overseas Entities, whereby the unit will only be engaged in rendering manufacturing services to overseas entities basis goods supplied by them and is not applicable in the given case.

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21	Murugan Reddy +91 6384767239 Larsen & Toubro Limited	We need clarification for execution of Export order placed by overseas party in foreign currency but the goods will be delivered to within India Is any export restriction is applicable for execution of the above transaction in SEZ unit. Payments will be received in foreign currency from overseas party but physically goods will not move from India Is there any possibilities to close the EDPMS without shipping Bill.	As per Section 2(5) of the IGST Act, 2017, export of goods means taking goods out of India to a place outside India. In the instant scenario, as the goods are not moved outside India such transaction would not qualify as export of goods as per IGST Act. However, please note that there is no restriction to send goods to the DTA unit. <ul style="list-style-type: none"> In the absence of export documents such as Shipping Bill, the same has to be discussed with AD Banker for allowing receipt in Foreign Exchange. Since the said transaction would not qualify as an export, reporting of the transaction in EDPMS is not mandatory.
22	P Ganesan Head - Finance & Accounts & IT Modular Fabrication Facility-Kattupalli Larsen & Toubro Limited L&T Energy - Hydrocarbon (A SEZ Unit in Larsen & Toubro Limited Kattupalli) Kattupalli Village, Ponneri Taluk Thirvallur District Chennai 600 120	We are expecting one order from USA Client A to our SEZ and goods has to be delivered to their Indian Customer B Order from USA client A will be in USD on our SEZ Unit. Need Clarification for the below mentioned query by our USA Client A. <ol style="list-style-type: none"> Customs duty & IGST is applicable at the time removal of goods from SEZ to their Indian Consignee Customer (B). Since SEZ will be raising bill in USD as -Buyer USA Client (A) & Consigned to their Indian Customer (B). USD Client (A) will be supplying Free Issue Materials to SEZ Unit, along with Drawings & SEZ unit is scope is limited to Fabrication. USD Client (A) will be raising their invoice on their Indian Client (B) with their Value Addition. Is there any implication & Tax liability on our USA Client under Indian Income Tax Act. Since there is no Permanent establishment. 	We understand that the Company is expecting order from overseas customer. Further, invoicing is done to overseas customer and goods are to be delivered to customer in India. In this regard, IGST and customs duty is payable when goods are not moved outside India. Our advisory is limited to tax on supply by unit. We can discuss the implications separately.
23	Techware Lab Private Limited Address - Ambalamedu. P.o, Trans Asia Cyber Park, Info Park	In addition to the above query, kindly clarify the following: Since Techware Lab is authorised to raise invoices only in foreign currency, as per the terms of LOA confirmed by the SEZ Authority, is it sufficient	Since Techware Lab is authorised to raise invoices only in foreign currency, as per the terms of LOA confirmed by the SEZ Authority, is it sufficient that the IGST be charged against the invoice in the foreign currency itself???

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	Phase -II Tower 1, 8Th Floor, Kochi, Kerala 682303 Loa No - Kl : 20:11: Infopark(Ii): 1:2 Dk Loa Issue Date: 15/03/2021	that the IGST be charged against the invoice in the foreign currency itself? Can the company issue a Tax Invoice to the customer in DTA by charging IGST@18%? In the GSTR-1 Return - where should the company (SEZ Unit) show the Sales to the DTA unit? Is it under Export section by choosing option "With Tax Payment"? As a continuation, there requires clarification on TDS Aspects. Under which section should a customer in DTA deduct TDS for the payment made to the company which is a SEZ Unit for professional services rendered (194J or 195). Kindly note that the company has PAN. Please specify rate of TDS in such case. Customer makes payment in Foreign Currency to the SEZ Unit. Will being a SEZ Unit give it a Non-Resident status?	GT response: The understanding is correct and IGST can be charged in foreign currency. Can the company issue a Tax Invoice to the customer in DTA by charging IGST@18%? GT Response: Yes, the Company can issue a tax invoice to the customer in the DTA and charge IGST at the appropriate rate. In the GSTR-1 Return - where should the company (SEZ Unit) show the Sales to the DTA unit? Is it under Export section by choosing option "With Tax Payment"? GT response: The Company must show the supply in the B2B tab by mentioning the GSTN of the DTA unit. This will enable the DTA to avail ITC as the same will appear in the DTA unit's GSTR 2B. Under which section should a customer in DTA deduct TDS for the payment made to the company which is a SEZ Unit for professional services rendered (194J or 195). Kindly note that the company has PAN. Please specify rate of TDS in such case. Customer makes payment in Foreign Currency to the SEZ Unit. GT Response: In respect of professional fees paid to a Company which is located in SEZ, the tax is required to be deducted under u/s 194J of the Income Tax Act, 1961 ("the Act") and not under section 195. Tax is required to be deducted at the rate of 10% (in respect of professional services rendered) and given that the Company has PAN, section 206AA of the Act which requires the tax to be deducted at 20% would not be applicable. Further, as per section 206AB of the Act, the tax is required to be deducted at twice the rates specified under the Act or at the rate of 5%, whichever is higher: where the Company has not filed its return of income for the immediately preceding previous year and the credit of the TDS and TCS together in the immediately preceding previous year is INR 50,000 or more. Where the Company has filed its return of income for the immediately preceding previous year, section 206AB would not be applicable. Will being a SEZ Unit give it a Non-Resident status? GT Response: As per Sec. 6(3) of the Income Tax Act, 1961, a company is said to be a resident in India in

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			any previous year, if it is an Indian company or its place of effective management (place where key management and commercial decisions that are necessary for the conduct of business of an entity as a whole are, in substance made), in that year, is in India. Hence, a SEZ unit which is an Indian company will be considered as resident for income-tax purposes.
24	Prakash Kanniyappan Depty Manager Accounts & Finance Mobile: +91 9940616964 cid:image001.png@01D143D8.3EBFF720 Flamagas India Private Limited	we are 100% EOU our products are Refillable Lighters and non-refillable lights (HSN code 96132000 & 96131000). We are exporting to Spain, USA, etc... Yesterday we got an enquiry of our product of Export from Chennai custom for Assessment of our export shipment. They are asking for a certificate of Analysis of our products I have submitted an MSDS and DG declaration related to this shipment...as per customs officer telling us that they got the latest circular 13-10-2022 and have to produce a Certificate of Analysis of this shipment.... kindly advise me how to solve this issue.”	As per our discussions, we understand that customs officials require certificate of analysis as per internal circular dated 13.10.22. We have tried reaching out to officials to understand on such circular, however we could not reach them and get the necessary confirmation. Request you to submit a letter to the officials explaining details of shipment along with nature of the products and explain the scenario that these details may not exactly match certificate of analysis if shared. Also, at the time of submission of such letter, request you to attach all relevant documents to support your contentions.
25	Techware Lab Private Limited Address - Ambalamedu. P.o, Trans Asia Cyber Park, Info Park Phase -Ii Tower 1, 8Th Floor, Kochi, Kerala 682303 Loa No - KL:20:11: INFOPARK(II): 1:2DK LOA Issue Date: 15/03/2021	This mail is written in order to get an expert opinion on the Applicability of GST on Sales from a Special Economic Zone to a Domestic Tariff Area (within India). Scenario: Our company proposes to make a sale to another company in India in USD. Kindly advise on the applicability of GST in the following situation: Whether the seller (that is our company Techware Lab) is required to charge GST on the invoice??? Kindly note that the company can raise invoices only in foreign currency as per SEZ Act. Hence there is a practical issue in charging IGST if any is required. Kindly explain the detailed provision in this regard. Where the seller is exempted from charging GST, whether the buyer is required to pay GST on receiving services from a company in Special Economic Zone under a reverse charge basis? If yes kindly explain detailed provisions.	Supplies of goods & services or both to or by a Special Economic zone developer or Special Economic Zone unit, are to be treated as an inter-state supply as per Section 7(5)(b) of IGST Act 2017 and IGST shall be levied at the applicable rate. Section 16 of IGST act 2017 provides benefit of Zero rated supplies only for the below supplies of goods or services or both- Export of goods or services or both; or Supply of goods or services or both [for authorised operations] to a Special Economic Zone developer or a Special Economic Zone unit. Section 2(m) of SEZ act 2005 defines Export as taking goods, or providing services, out of India, from a Special Economic Zone, by land, sea or air or by any other mode, whether physical or otherwise; supplying goods, or providing services, from the Domestic Tariff Area to a Unit or Developer; supplying goods, or providing services, from one Unit to another Unit or Developer, in the same or different Special Economic Zone; Based on a conjoint

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			<p>reading of section 16 & Section 2(6) of IGST act 2017, benefit of Zero rated supplies is provided only for supplies made to SEZ developer or a SEZ unit and not for supplies from SEZ unit or SEZ developer. Furthermore, all supplies of goods from an SEZ unit to a DTA, will be under a bill of entry and the DTA unit will be required to pay appropriate Customs duties and IGST before clearing the same. Therefore, TechwareLab Private Limited shall issue tax invoice along with the applicable IGST rate as supply of service to DTA. Further, Services have been defined under Section 2(z) of SEZ Act as such tradable services which, - are covered under the General Agreement on Trade in Services annexed as IB to the Agreement establishing the World Trade Organisation concluded at Marrakes on the 15th day of April, 1994; as may be prescribed by the Central Government for the purposes of this Act; and which earn foreign exchange. As per master circular dated 23.10.2012 issued by the RBI, the RBI has permitted the ADs to sell foreign exchange to a unit in the DTA for making payment in foreign exchange to a unit in the SEZ for the services rendered by it (i.e. a unit in SEZ) to a DTA unit. However, it must be ensured that there is an enabling provision of supplying these goods/services by the SEZ unit to the DTA unit and for payment in foreign exchange for such goods/ services to the SEZ unit, in the Letter of Approval (LoA) issued to the SEZ unit by the Development Commissioner(DC) of the SEZ. Hence, the SEZ unit may raise the invoice in foreign currency or INR for the services provided to the DTA unit. Seller i.e. Techware Lab Private Limited (SEZ unit) is not exempted from charging GST as mentioned above in Response for Query 1 and further buyer is not required to pay GST on receiving services from the SEZ unit under Reverse charge.</p>
26	Mahadevan Pavithran (Devan) Managing Director Travancore Cocotuft	With reference to the above, We would like to bring to your kind notice that, as per CBIC Notification No. 02/2018 and parallel Notification No. 07/2021,	We understand that the unit, involved in the export of goods, is unable to file freight charges separately on Shipping Bill as freight charges do not have a valid

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	(P) Ltd, www.cocotuft.com +91 9846 555 555	IGST on Freight charges were exempted up to 30th September 2022. This has not been extended and so we have to pay 5% IGST on Freight charges wef. 1st October 2022. As of now we are not able to file Freight charges separately on Shipping Bill as freight charges doesn't have a valid HS Code. Please advice us how we can file shipping Bill now? Should we continuing with old practice of not adding any GST until a clarification is given by Customs? We request you to kindly take necessary action for helping us file Shipping Bill with valid HS code for claiming IGST refund through Shipping Bill. Steamer agents are using SAC code 996521 for IGST charges but we cannot find this HS code for Sea / Air Freight in the Customs Site. Pls advise.	HS Code identifiable on ICEGATE. Ocean freight and air freight falling under SAC 996521 and 996531 respectively have become taxable with effect from 01.10.2022 owing to the non-extension of exemption. The unit seeks to understand if it is prudent to not add any GST for the freight charges. As the way forward, the unit need not separately add/ charge any GST in the shipping bill as the GST on the freight component will be levied by the steamer/ shipping line upon the unit through a tax invoice. Hence, the steamer/ vessel Company will charge GST upon the unit and the unit will be eligible to claim ITC on the freight charges.
27	Ch.S.S.Sekhar R.D-EPCES-VSEZ	We, Verity Knowledge Solutions Private Limited ("VKS") having office at SEZ premises with address 1st Floor, Building No. 14, K Raheja Mindspace, Madhapur, Hyderabad 500 081, are writing to seek Work From Home ("WFH") approval for our total workforce. The LOA No. of VKS is F.No. 9/068/SEZ/HYD/2009/679/SEZ. With reference to the Government of India, Ministry of Commerce and Industry Notification No. K-43013 (12)/1/2021-SEZ dated 12th August 2022, I would like to seek your approval for WFH on the total workforce, as we work in a hybrid model, till 31st December 2023. As per our proposal, we will have an average of 55% of total workforce working from office.	In relation to trail mail, we understand that the unit is applying for work from home approval for its total workforce. Please note that said application is required to be filed with the respective zonal Development Commissioner (DC).
28	S. Kalyani Rd Mepz Sez	We are importing raw materials/ parts/components through FTZ, Air and Sea mode. Seeking clarification that Officers are asking us to submit rewarehousing certificates for the imports made through FTZ. As per customs notifications 35/2016 dt. 29th July 2016 our understanding is that Warehousing and re-warehousing procedure dispensed for EOUs Is there	We understand the Company is an EOU unit importing goods through the Free Trade Zone (FTZ). Customs Officers are seeking re-warehousing certificates for the said imports. In this regard, please find below our response to your query. As per Section 2(za) of SEZ Act 2005, "Special Economic Zone" means each Special Economic Zone notified under the

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		any procedure their for EOUs to submit RWC for imports through FTZ. Please clarify.	<p>proviso to sub-section (4) of section 3 and sub-section (1) of section 4 (including Free Trade and Warehousing Zone) and includes an existing Special Economic Zone. Therefore, FTZ are also covered by the provisions of SEZ Act. Hence, conditions mentioned in SEZ Act for transfer of goods to EOU should be complied by the company. Rule 46 of SEZ Rules, 2006, provides the procedure for export of goods by SEZ including FTZ. Based on sub-rule 12 and 13 to the said rule, SEZ including FTZ may transfer goods to EOU subject to following of procedures mentioned therein. Further, as per Rule 46(12) of SEZ Rules, 2006, Bill of entry for home consumption needs to be filed by the EOU with the Authorised officer of the FTZ within 45 days. As rightly mentioned in your email, procedure to submit re-warehousing certificate by EOU have been removed, However, Circular 35/2016 dated 29 July 2016 prescribes below procedure to be followed instead of re-warehousing certificate Units shall continue to obtain / furnish a Procurement Certificate at the Customs Station at the time of import or pre-authenticated procurement certificates, as applicable to them; Upon receipt of goods in the unit, a copy of relevant bill of entry shall be provided to the jurisdictional office; Jurisdictional office shall reconcile imports with procurement certificates. Therefore, based on the above discussion, we recommend that the company may submit a procurement certificate and file a bill of entry for home consumption with the relevant officer incharge of the FTZ. Trust the same clarifies.</p>

SECTOR WISE EXPORT PERFORMANCE APRIL TO DECEMBER (FY-2022-23 VS FY-2021-22)

SECTORS	FY-2022-23				FY-2021-22				PERCENTAGE CHANGE	
	INR (Rs. In Cr.)	USD (In Million)	% share Sector-Wise	INR (Rs. In Cr.)	USD (In Million)	% share sector-wise	Inr terms	Usd terms		
Petrochemical	₹ 1,91,524	\$24,427	50.9	₹ 1,25,494	\$17,081	45.7	53%	43%		
Gems And Jewellery	₹ 46,627	\$5,930	12.4	₹ 38,878	\$5,294	14.2	20%	12%		
Pharma and Biotech	₹ 37,723	\$4,805	10.0	₹ 35,055	\$4,770	12.8	8%	1%		
Engineering, Electronics and Hardware	₹ 28,883	\$3,669	7.7	₹ 23,037	\$3,136	8.4	25%	17%		
Metals, Minerals, Alloys	₹ 23,345	\$2,979	6.2	₹ 20,682	\$2,816	7.5	13%	6%		
Trading And Services	₹ 15,116	\$1,934	4.0	₹ 6,114	\$832	2.2	147%	132%		
Chemicals	₹ 9,640	\$1,226	2.6	₹ 6,216	\$846	2.3	55%	45%		
Food and Agro industry	₹ 7,217	\$919	1.9	₹ 5,684	\$774	2.1	27%	19%		
Textiles & Garments	₹ 4,519	\$575	1.2	₹ 4,135	\$563	1.5	9%	2%		
Leather, footwear and sports goods	₹ 4,511	\$574	1.2	₹ 3,184	\$433	1.2	42%	33%		
Plastic and Rubber	₹ 2,336	\$298	0.6	₹ 2,381	\$324	0.9	-2%	-8%		
Perfumes, Fragrance & Cosmetics	₹ 2,026	\$258	0.5	₹ 1,842	\$251	0.7	10%	3%		
Energy including Captive, Solar	₹ 915	\$116	0.2	₹ 268	\$37	0.1	241%	217%		
Handicraft	₹ 500	\$64	0.1	₹ 391	\$53	0.1	28%	20%		
Packaging	₹ 462	\$59	0.1	₹ 450	\$61	0.2	3%	-4%		
IT/ITES	₹ 368	\$47	0.1	₹ 276	\$38	0.1	33%	24%		
Pharma Services	₹ 299	\$38	0.1	₹ 167	\$23	0.1	79%	67%		
Stationary	₹ 295	\$37	0.1	₹ 108	\$15	0.0	172%	153%		
GRAND TOTAL	₹ 3,76,304	\$47,954		₹ 2,74,362	\$37,346		37%	28%		



Export Promotion Council for EOUs & SEZs

(Set up by Ministry of Commerce & Industry, Govt. of India)

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