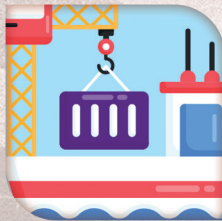


EPCES NEWS

Volume : 21 NO. 9

April-June 2022

NEW SEZ LEGISLATION



SEZs WISE CUMULATIVE MERCHANDISE EXPORTS

(APRIL TO JUNE-FY-2022 - 23 VS FY-2021 - 22)

SEZs Wise Cumulative Merchandise Exports (April to June-FY-2022 - 23 VS FY-2021 - 22)								
ZONE NAME	FY-2022 - 23			FY-2021 - 22			Difference in INR	Change in INR
	Manufacturing	Trading and Services	Total	Manufacturing	Trading and Services	Total		
Kandla Special Economic Zone	₹ 86,824	₹ 2,750	₹ 89,574	₹ 48,320	₹ 619	₹ 48,940	₹ 40,634	+83%
Vishakhapatnam Special Economic Zone	₹ 10,699	₹ 376	₹ 11,075	₹ 8,468	₹ 353	₹ 8,821	₹ 2,255	+26%
Seepz Sez Mumbai	₹ 9,727	₹ 616	₹ 10,343	₹ 7,459	₹ 476	₹ 7,936	₹ 2,407	+30%
Falta Special Economic Zone	₹ 7,186	₹ 211	₹ 7,397	₹ 4,926	₹ 3	₹ 4,929	₹ 2,469	+50%
Mepz Special Economic Zone	₹ 5,497	₹ 442	₹ 5,939	₹ 4,400	₹ 315	₹ 4,716	₹ 1,223	+26%
Noida Special Economic Zone	₹ 4,986	₹ 581	₹ 5,567	₹ 4,758	₹ 152	₹ 4,909	₹ 658	+13%
Cochin Special Economic Zone	₹ 3,913	₹ 111	₹ 4,024	₹ 2,838	₹ 68	₹ 2,906	₹ 1,118	+38%
GRAND TOTAL	₹ 1,28,834	₹ 5,086	₹ 1,33,920	₹ 81,169	₹ 1,986	₹ 83,155	₹ 50,764	+61%

SEZs wise Comparative Services Exports [June-2022 vs June-2021] and April to June [FY-2022 - 23 vs FY-2021 - 22]								
ZONE NAME	Month		Diffrecne in INR	Change in %	Cumulative		Difference in INR	Change in %
	JUNE-2022	JUNE-2021			FY-2022 - 23	FY-2021 - 22		
Cochin Special Economic Zone	₹ 14,429	₹ 14,490	₹ 61	-0%	₹ 46,734	₹ 39,264	₹ 7,471	+19%
Mepz Special Economic Zone	₹ 10,165	₹ 9,530	₹ 636	+7%	₹ 30,538	₹ 25,970	₹ 4,568	+18%
Seepz Sez Mumbai	₹ 9,919	₹ 10,592	₹ 674	-6%	₹ 30,270	₹ 27,789	₹ 2,481	+9%
Vishakhapatnam Special Economic Zone	₹ 7,864	₹ 8,470	₹ 606	-7%	₹ 24,146	₹ 21,947	₹ 2,199	+10%
Noida Special Economic Zone	₹ 5,191	₹ 4,844	₹ 347	+7%	₹ 16,733	₹ 14,029	₹ 2,704	+19%
Falta Special Economic Zone	₹ 2,093	₹ 1,821	₹ 272	+15%	₹ 5,450	₹ 4,851	₹ 599	+12%
Kandla Special Economic Zone	₹ 436	₹ 600	₹ 164	-27%	₹ 1,638	₹ 1,481	₹ 158	+11%
GRAND TOTAL	₹ 50,097	₹ 50,348	₹ 252	-0%	₹ 1,55,510	₹ 1,35,330	₹ 20,180	+15%

Inside

8

**A glimpse of a meeting
(EPCES Delegation Meets
Commerce Secretary)**



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**Hon'ble Minister of
Commerce and Industry,
Interaction with Stakeholders
for Fixing the Export Target for
the Year 2022-23**

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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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**Volume : 21 Issue : 9
April-June 2022**

EPCES NEWS

Volume : 21 NO. 9

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NEW SEZ LEGISLATION



Bhuvnesh Seth
Chairman, EPCES

Alok Vardhan Chaturvedi
Director General, EPCES

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Dear Friends



Bhuvnesh Seth
Chairman, EPCES

As you are aware, Hon'ble Finance Minister made a major announcement in the budget speech that the Special Economic Zones Act will be replaced with a new legislation that will enable the states to become partners in 'Development of Enterprise and Service Hubs.' EPCES engaged M/s Vidhi Centre for Legal Policy for providing legislative assistance to the Ministry for the new Legislation. EPCES delegation called on Commerce Secretary on 7th June. Prior to the meeting, the D/o Commerce circulated a draft of the new legislation.

The global economy is going through from one crisis to another. We are facing an extremely uncertain period. War is still going on with COVID still not under control. There is a sharp rise in energy and other commodity prices. There are strains in global supply chains and food security is worsening. In several economies, inflation is ruling at very high levels. Central banks have started policy rate hikes to restore price stability, while the global economy is still struggling to recover fully from the scars inflicted by the COVID-19 pandemic.

Growth in India's merchandise export in April-June 2022 quarter has moderated to 24.5% as compared to growth of 43% during April 2021-March 2022. Imports have increased by 49.5% resulting in a trade deficit of USD 70.80 billion with an increase of 125% on YOY basis. Services exports have grown by 26.25% in this quarter.

As regards SEZs, merchandise exports increased by 61% and Services exports by 15% during April-June 2022 on YoY basis.

As you are aware, Hon'ble Finance Minister made a major announcement in the budget speech that the Special Economic Zones Act will be replaced with a new legislation that will enable the states to become partners in 'Development of Enterprise and Service Hubs.' EPCES engaged M/s Vidhi Centre for Legal Policy for providing legislative assistance to the Ministry for the new Legislation. EPCES delegation called on Commerce Secretary on 7th June. Prior to the meeting,

the D/o Commerce circulated a draft of the new legislation. Most of the long pending concerns of SEZ community like SEZ to DTA supplies on duty foregone principle, job work and reverse job work for SEZ units for better capacity utilisation, payment for supplies of services to DTA in INR have been addressed in the new legislation. EPCES also organised meeting with the stakeholders in NSEZ and MEPZ. Based on the inputs, EPCES has also submitted its comments to the Department of Commerce. It is likely that the new SEZ legislation – the Development of Enterprises and Services Hubs (DESH) Bill, 2022 is likely to be introduced in the Monsoon Session of the Parliament.

The RoDTEP Committee under the chairmanship of Shri G K Pillai is analysing the data received from the members. The Committee is required to submit its report to the Government within a total period of 8 months (6 months for submission of report for determining RoDTEP rates for EOU/SEZ exports and another 2 months for the supplementary exercise). The committee was set up on 18.10.2021.

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.

Stay Safe,

With best wishes,

Bhuvnesh Seth



Alok Vardhan Chaturvedi
Director General, EPCES

India's merchandise exports in the first quarter grew by a steady 24.5% to USD 118.96 billion while the imports grew by 49.5% to USD 189.76 billion resulting in a high trade deficit of USD 70.8 billion as compared to USD 31.4 billion in the same period last year. Growth in non-petroleum exports has been only 13.5% in this quarter. Services Exports increased by 26.2% to USD 70.97 billion while Services imports grew by 49.15% to USD 45.35 billion. Overall trade deficit increased to USD 45.18 billion from USD 5.61 billion during same quarter last year.

Dear Members

We yearn for some stability in the world. Covid is not going away. It has been more than two years. The war is going on and on. In response to a global inflation crisis, the most synchronised monetary policy tightening is underway. The global economy is projected to decelerate significantly during 2022 by all multilateral agencies. As per World Bank Forecast, global GDP growth is expected to come down to 2.9% in 2022 from 5.7% in 2021 which can further go down to 2.1% in case of Fed tightening, energy price spike and China Covid-19 lockdowns.

As RBI has brought out in its Monetary Policy Committee deliberations on June 8th, the tense global geopolitical situation and the consequent elevated commodity prices impart considerable uncertainty to the domestic inflation outlook. Taking into account various factors such as the restrictions on wheat exports, shortfall in the rabi production due to the heat wave, the forecast of a normal south-west monsoon, high edible oil prices and average crude oil price (Indian basket) of US\$ 105 per barrel, inflation is now projected at 6.7 per cent in 2022-23. RBI has retained the real GDP growth projection for 2022-23 at scaled down rate of 7.2 per cent.

India's merchandise exports in the first quarter grew by a steady 24.5% to USD 118.96 billion while the imports grew by 49.5% to USD 189.76 billion resulting in a high trade deficit of USD 70.8 billion as compared to USD 31.4 billion in the same period last year. Growth in non-petroleum exports has been only 13.5% in this quarter. Services Exports increased by 26.2% to USD 70.97 billion while Services imports grew by 49.15% to USD 45.35 billion. Overall trade deficit increased to USD 45.18 billion from

USD 5.61 billion during same quarter last year.

As regards SEZs, merchandise exports increased by 60% in the April-June quarter with Kandla SEZ leading by a growth of 89% and Cochin SEZ by a growth of 52%. Services exports from SEZs grew by 15%.

A delegation led by Chairman and Vice Chairman called on Commerce Secretary on 7.6.2022 to discuss the new SEZ legislation and levy of export duty on steel for supply from DTA to SEZs. A draft Development of Enterprises and Services Hubs (DESH) Bill, 2022 addressing major long pending concerns of SEZ community was circulated to EPCES prior to the meeting. EPCES has submitted its comments after consulting key stakeholders. The Bill is expected to be introduced in the Monsoon Session of the Parliament.

The RoDTEP committee is expected to submit its report to the Government soon as it was given a total period of 8 months (6 months for submission of report for determining RoDTEP rates for EOU/SEZ exports and another 2 months for the supplementary exercise). The committee was set up on 18.10.2021.

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.

I am sure, you will find this edition informative and useful. We will look forward to your suggestions.

Best wishes,

(Alok V Chaturvedi)

New SEZs Legislation - Development of Enterprise and Service Hubs (DESH) ACT

Hon'ble Finance Minister announced in its budget speech that the Special Economic Zones Act will be replaced with a new legislation and that will enable the states to become partners in 'Development of Enterprise and Service Hubs'. This will cover all large existing and new industrial enclaves to optimally utilise the available infrastructure and that will help to enhance competitiveness of exports. EPCES has engaged Vidhi Legal Services for drafting new legislation to assist the Ministry of Commerce. A draft has been prepared and Ministry and EPCES have been in discussions with key stakeholders for fine tuning the draft. It is expected that the Bill for the new legislation will be presented in this Monsoon Session of the Parliament. However, recently on 7th June, EPCES delegation called on Commerce Secretary to discuss the new legislation and submitted its suggestions.



countries and then import them back in India as compared to supply them directly from SEZ to DTA. It should be appreciated that manufacturing of such goods has taken place in India, employment has been generated in India and Income Tax etc has been paid in India. It will also check imports from these countries and will contribute to Atmanirbhar Bharat.

The Key Observations are as follows-

1. EPCES strongly opposes the provision of DTA Equalisation Duty on goods supplied from Development Hubs to DTA. The provision of customs duty on inputs for the goods supplied from Hubs to DTA is as per international norm and as per EOU and MOOWR schemes.
2. In case of authorised operations, there should only be a negative list for developers and units. All other activities should be permitted. Developer and units should not be asked to go again and again for seeking clearance / approval from Development Commissioner for changes in the goods to be produced/services to be rendered. This is keeping in line with Ease of Doing Business and simplifying processes.
3. There should be a provision for customs duties based on FTA/PFTA/CEPA for the finished goods supplied into DTA as it is seen that it is cheaper to export goods from SEZs to Sri Lanka / Bangladesh and other



4. In case of supply of good covered under ITA (Information Technology Agreement under which no customs duty is leviable on imports from any country) to DTA, there should be exemption from payment of customs duties on inputs (non-ITA) used for manufacturing such ITA goods.

5. Exemption under IGST Act/ RoDTEP scheme may also be incorporated in the new legislation.
6. There should not be any limit or restriction on subcontracting either way. In fact, even in the current SEZ Act, there is no limit or restrictions on subcontracting either way. The restrictions have been placed through the rules which does not appear to be correct.



7. Even though change in definition of services serve the purpose of enabling payment in INR for supply of services to DTA, it is suggested that we may take definition of services from GST Act.
8. There may be a provision for Deemed Distribution License Status to

Development Hubs for supply of electricity. There may be a provision for representation of Industry representatives in the proposed Integrated Development Hub Board / State /Regional Boards It is proposed that Hub Director should be chairman rather than co-chair. Having two co-chairs may affect decision making and it is important to have Hub Director as Chairman of State/ Regional Boards for effective decision making.



Department of Commerce is working on the new legislation and it is expected that the Bill for the new legislation will be presented in the current Session (Monsoon session: July to August/September) of the Parliament. We are sure the Government will address the major concerns of the SEZs exporters in terms of integration with the huge domestic market along with exports and will promote manufacturing in SEZs.



Export Promotion Council for EOUs & SEZs

(Setup by Ministry of Commerce, Government of India)

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Alok Chaturvedi
Director General

EPC/SEZ/AM19/A-17

22nd June, 2022

Dear Sir,

Subject: Suggestions regarding new SEZ legislation

Please refer to the discussions held in the meeting of EPCES delegation on 7.6.2022 and a follow up meeting on 16.6.2022 regarding the proposed new SEZ legislation.

2. EPCES welcomes the proposed new legislation as the key long pending concerns have been taken into account in the draft. However, based on a limited discussion in the EPCES with key stakeholders, please find the suggestions from EPCES with justifications in the google spreadsheet (attached) and available at the following link

<http://shorturl.at/mpsxK>

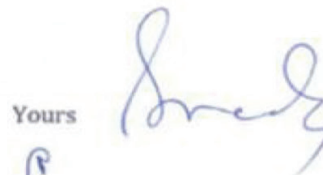
3. The key observations are as follows:

- a. EPCES strongly opposes the provision of DTA Equalisation Duty on goods supplied from Development Hubs to DTA. The provision of customs duty on inputs for the goods supplied from Hubs to DTA is as per international norm and as per EOU and MOOWR schemes.
- b. In case of authorised operations, there should only be a negative list for developers and units. All other activities should be permitted. Developer and units should not be asked to go again and again for seeking clearance / approval from Development Commissioner for changes in the goods to be produced/services to be rendered. This is keeping in line with Ease of Doing Business and simplifying processes.
- c. There should be a provision for customs duties based on FTA/PFTA/CEPA for the finished goods supplied into DTA as it is seen that it is cheaper to export goods from SEZs to Sri Lanka / Bangladesh and other countries and then import them back in India as compared to supply them directly from SEZ to DTA. It should be appreciated that manufacturing of such goods has taken place in India, employment has been generated in India and Income Tax etc has been paid in India. It will also check imports from these countries and will contribute to Atmanirbhar Bharat.
- d. In case of supply of good covered under ITA (Information Technology Agreement under which no customs duty is leviable on imports from any country) to DTA, there should be exemption from payment of customs duties on inputs (non-ITA) used for manufacturing such ITA goods.

- e. Exemption under IGST Act/ RoDTEP scheme may also be incorporated in the new legislation.
 - f. There should not be any limit or restriction on subcontracting either way. In fact, even in the current SEZ Act, there is no limit or restrictions on subcontracting either way. The restrictions have been placed through the rules which does not appear to be correct.
 - g. Even though change in definition of services serve the purpose of enabling payment in INR for supply of services to DTA, it is suggested that we may take definition of services from GST Act
 - h. There may be a provision for Deemed Distribution License Status to Development Hubs for supply of electricity.
 - i. There may be a provision for representation of Industry representatives in the proposed Integrated Development Hub Board / State /Regional Boards
 - j. It is proposed that Hub Director should be chairman rather than co-chair. Having two co-chairs may affect decision making and it is important to have Hub Director as Chairman of State/Regional Boards for effective decision making.
4. EPCES will be happy to assist the Department of Commerce in organising wider stakeholders' consultations, if required.

With regards,

Yours



Alok Chaturvedi

To
Shri B.V.R Subrahmanyam
Commerce Secretary
Ministry of Commerce and Industry
Udyog Bhawan
New Delhi

EPCES Delegation meets Commerce Secretary, Additional Secretary (SEZ) and Joint Secretary (SEZ) for India SEZ Plus Model



Figure-1 : A glimpse of a meeting
(EPCES Delegation Meets Commerce Secretary)

SEZ Plus Model- Executive Summary

India started its SEZ Framework with high ambitions: As experienced in many other countries, it hoped to boost economic development and attract foreign direct investment. Some of the hopes have realized, others have been disappointed. India shares this fate with many other countries and their special economic zones. While there are many success cases of outstanding SEZs, there are even more zones that have failed or that have stayed behind high expectations. And even successful zones (and their host countries) need to keep innovating, to remain competitive. This leads to a critical question from India's perspective: What could and should a future-SEZ Plus Framework look like – a framework that doesn't just copies best practices from around the world, but moves India to the forefront of innovation (and thereby attractiveness)? In this spirit, EPCES requested support from World FZO, to raise India's prominence as an attractive SEZ destination and to help create immediate successes to further drive FDI inflows and boosts exports.

During December 2021, the World FZO team worked closely with EPCES to review India's SEZ Act, Foreign Trade Policy, Free Trade Agreements, ASEAN and

Chinese SEZ Regulatory Frameworks, Industry Reports, WTO's SCM Agreement and WCO's AEO program, to inform recommendations on how to strengthen SEZs as a major pillar of India's manufacturing growth strategy: The World FZO team also conducted interviews with Indian and global stakeholders from the public and private sector and multilateral organizations to gather insights and verify high-level recommendations. The Indian government has set ambitious targets to advance its economic growth. SEZs are to facilitate over 30% of the country's total exports and should be used as effective tools to achieve these targets, contributing immensely to the country's economic development. Yet to do so, the Ministry of Commerce and Industry has recognized the need to upgrade India's existing SEZs and create new zones for continued success, called SEZ Plus, a strategic shift to high value added, tech-based zones. 3 India's SEZs can benefit from current trends such as nearshoring and reshoring as well as exporting companies relocating and foreign investors moving away from China. Identification of suitable export markets, product segmentation, creating regional competitive advantage while mapping the sustainability of these businesses is crucial given the changing global value chains accelerated by the pandemic. For example, India could potentially capture 3 – 5 % of China's exports with a value of USD 2.6 trillion per annum. Furthermore, Indian SEZs can leverage key strengths such as a large domestic market with population of 1.3 billion and as well as grow exports. ASEAN frontrunners such as Thailand, Vietnam and The Philippines have and outbound focus, without the opportunity to leverage a large domestic market as a springboard. Direct benefits for India include increased market share in global exports, import substitution, improved balance of payments and a unified India-centric SEZ framework. Indirect benefits include job creation, increased tax revenues, enhanced ease of doing business, human capital development, technology transfer and skill enhancement, improved investor confidence, simplified procedures, long term



Figure-2 : Meeting Additional Secretary (SEZ)

partnerships/ collaboration. To capture these benefits, India's SEZ Plus Model, strategic key characteristics of which are proposed in this report based on international best practices as well as current discussions among experts, should be • Designed to attract increased FDI, leveraging shifting global value chains, by boosting manufacturing, advanced manufacturing and service manufacturing, taking advantage of India's skilled labor force, through optimum development of its SEZs. • Tailored to meet the requirements of MNEs' global production strategies to lower production cost, mitigate risk and increase market power. • Developed around key dimensions driving SEZ success such as regulatory framework and governance, incentives, (digital) infrastructure and services, sustainability, Industry 4.0, digitalization and shifting Global Value Chains. As a starting point, the SEZ Plus Model will need to acknowledge that global perception really matters, even when it differs from reality. Without judging, at this 4 stage, what is true and what isn't, it is a fact that India's brand perception overall, and as a global manufacturing destination in particular, is a mixed – and challenging – one. On one hand, India is regarded as a country of opportunities, with a strategically advantageous location, a large domestic market complementing the export potential, and very competitive factor cost. Manufacturing has emerged as one of India's highest growth sectors. It contributes 16-17% to GDP and gives employment to around 15% of the country's workforce. Prime Minister of India Narendra Modi launched the Make in

India program in 2014, to place India on the world map as a manufacturing hub and give global recognition to the Indian economy – an emphasis manufacturing companies globally have appreciated. Government aims to create 150 million new jobs in the sector by 2025. Investors recognize this government focus in combination with the significant advantages India has to offer, such as availability of labour, competitive cost, favorable geo-political location, a huge domestic market of 1.3 billion consumers, its role as regional export hub, and the existence of regional global free trade agreements. English as language and a common law legal framework are further advantage. On the other hand, disadvantages perceived by investors include high levels of bureaucracy, complicated and time-consuming processes, unpredictability, crowded, unhygienic and constant renegotiation. Overall, the interviews conducted in the context of this project have reconfirmed an impression voiced by experts: Many investors are looking at India despite, rather than because of its reputation and brand perception. At the same time, many of them are not even fully aware of the changes and reforms that have already been implemented by India. Old stereotypes and prejudices are sticky. As a direct implication, India needs to (i) actually innovate and improve its SEZ Framework, toward the SEZ Plus Framework targeted, both on paper and in reality, and (ii) ensure progress actually reaches the awareness of (potential) investors, which requires a high emphasis on transparency and communications, hand-in-glove with factual improvements. This is an approach also found in successful examples across Asia and beyond. For this reason, key success features of ASEAN and Chinese were identified and included in a benchmark highlighting India's strengths and weaknesses. The over 1,600 ASEAN SEZs have significantly contributed to the development of export-oriented 5 industries and industrial clusters such as steel, electronics and automotive. For this purpose, the World FZO team examined favourable ASEAN regulatory features in attracting FDI. Furthermore, this report outlines

benefits offered to foreign investors in China's highly developed zones. To foster growth and innovation, firms in SEZs receive a slew of financial benefits, including special corporate income tax rates, discounted land-use fees, and prioritized loan applications with domestic banks. Administrators grant larger benefits to exporters, firms with foreign investment and technologically advanced companies. Building on the benchmarks and World FZO's own expertise as well as the research mentioned above, this report provides provocative recommendations for what could be included in an SEZ Plus Regulatory Framework, not just catching up with global best practices, but actually aiming to set new standards and introduce new ideas and concepts. Areas of recommendations for India's SEZ Plus Regulatory Frameworks specified

in this report are geographic flexibility, (private) developer autonomy, SEZ user autonomy, special legal regime with stability guarantee, ESG orientation, digitalization, tax and customs attractiveness, true one-stop shops (OSS) and regulatory simplification, intellectual property regulation and protection, legal/dispute resolution proceedings, city development framework and incentives and access to finance. This report aims to inspire the design of a unique India-centric SEZ model, to be piloted and implemented by EPCES in existing manufacturing SEZs, focused on trade facilitation, increasing India's competitiveness in attracting FDI through its existing SEZ framework, accelerating growth of India's manufacturing industry, and increasing India's global market share in exports.

New SEZ Legislation Meeting at MEPZ on 1st June 2022

In order to have the views / concerns of the SEZ units / Developers which are to be considered for proposed legislation, EPCES was organized a hybrid meeting in association with DC, MEPZ SEZ on 1st June, 2022 at Dr. A.P.J. Abdul Kalam Conference Hall. Dr. M.K. Shanmugasundaram, IAS, Development Commissioner, Shri Srikanth Badiga, Vice Chairman, EPCES, Shri S. Anand, Regional Chairman, Shri Sunil Rallan, CGC Member, EPCES were participated in the meeting with the stakeholders in the conference Hall. Shri Alok Vardhan Chaturvedi IAS (R) DG-EPCES joined through online. Around 40 members were presented in the Conference Hall. More than 325 members joined through online.

Gist of the discussion.

1. D.C addressed the welcome note to all the panel members and to the members who joined both in online and direct visit.
2. D.C discussed on the few areas of concerns faced by the members (SEZs & EOUs) in their normal business routine.
3. Vice Chairman Introduction speech about the agenda and shared his insight about the new SEZ act.
4. The draft presentation on proposed act is presented by Mr. Sunil Rallan.

5. The draft SEZ act is suggest to have a name of SEZ 2.0 and with all the features proposed in the DESH – concept.
6. The following topics were covered in the draft SEZ Act,
 - a. Preliminary
 - b. Boards of approval
 - c. Establishment of Zonal Hubs
 - d. Fiscal and non-fiscal incentives
 - e. Economic, facilitative and procedural measures
 - f. Dispute Resolution and Enforcement
 - g. Miscellaneous
7. Mr. Sunil, discussed about the wish list (recommendations) which are already prepared and requested to all the members to address the concerns or recommendations which can be considered to the existing wish list for making the final recommendations to the government.
8. All the questions and clarification from the members are addressed by Mr. Sunil Rallan, Vice Chairman and the DG.
9. All members are requested to share their views and insight via email if they have any concerns.
10. Vote of thanks given by Shri S. Anand, Regional Chairman, EPCES to the entire panel and the members both in online and offline.

Will the Newly Proposed DESH Bill change the SEZ Landscape of India

With the Government's focus on domestic investments, easing compliances, and integration of land banks and procedures, the DESH bill is expected to be a game changer in times to come. These changes will require organisations to rethink and re-imagine their operations and quickly come

up with transition plans. India's target of becoming a USD 5 trillion economy by FY 2026, with a contribution of USD 3 trillion and over USD 1 trillion from the services and manufacturing sector respectively,

requires accelerated investments. While India's service sector continues to show appreciable growth, the manufacturing sector has been lagging, necessitating urgent interventions. While the 2005 SEZ Act was brought in with the hope of making India a manufacturing powerhouse of the world, it had very limited positive effect. The 262 operational SEZs set up over this period currently have only 5,576 operational units and account for less than 20 per cent of the country's exports.

The Government of India initiated several steps to improve the investment attractiveness of SEZs and constituted the Baba Kalyani Committee to suggest changes to India's SEZ policy based on inputs from various stakeholders. As part of this endeavour to create a policy framework that enables India to become an attractive global destination for manufacturing and services, the Government of India is bringing out a new legislation to replace the existing SEZ Act, 2005 – the Development of Enterprises and Service Hubs (DESH) Bill.

The DESH bill is expected to be tabled in this monsoon session of the Parliament. The bill is expected to bring about a paradigm shift by moving the focus from exports to domestic investments, eliminating compliance and procedural challenges, and integrating multiple models

of economic zones such as SEZs, coastal economic zones, and food and textile parks. In transforming the existing SEZs into enterprises and service hubs, the focus will be on boosting economic activity and the domestic market, integrating the various models, facilitating ease



of doing business and generating employment. DESH is also expected to enable states to play a greater role in the integration of all existing industrial parks within states with existing SEZs across the country.

The new bill is expected to ensure tax rebates/refunds/financial subsidies to developers/companies in the hub, in a manner similar to the existing SEZs, but with no export compulsion NFE obligation. Existing ports, airports, inland container depots, land stations, etc., are proposed to be transformed into Development Hubs with a clear demarcation of processing and non-processing areas.



SEZ 2.0: Development of Enterprise and Service Hubs

The existing Special Economic Zone (SEZ) law in India is all set to be replaced with a new legislation, as announced by the Hon'ble Finance Minister Nirmala Sitharaman, in Union Budget 2022. Review of existing SEZ Act and Rules has been the agenda of the Government of India since last few years on account of various factors like changing aspirations of Indian economy, large unutilised parcels of land, declining attractiveness of SEZ and ongoing disagreement raised by WTO regarding alleged export linked incentives.

The new legislation anticipates enabling the states to become partners in 'Development of Enterprise and Service Hubs.' In this context, the Government is setting the tone to bring effective changes to SEZs, with a vision of transforming them into hubs attracting more investments, generating employment, enhancing competitiveness at par with SEZs globally, enabling ease of doing business and creating an environment conducive for both manufacturing as well as service sectors, while remaining compliant with the WTO norms.

The Hon'ble Finance Minister had also mentioned in her Budget speech to reform Customs administration of SEZs to make it fully IT driven and automate function on Customs National Portal with focus on higher facilitation. Actions in this direction have already been initiated by way of enabling a new feature through which SEZ units can check the status of integration of their Bill of Entry with GSTN, on ICEGATE.

Revamping of existing SEZ provisions is the need of the hour due to various challenges faced by SEZ units and developers creating bottlenecks and restricting optimum utilisation of resources, thus leading to inefficiencies. Some of the key challenges which have raised the need of this revamp are as under:

- Absence of effective single window mechanism, causing delay in setting up of a unit in SEZ, renewal of Letter of Approval (LoA), furnishing Bond cum Legal Undertaking (BLUT) etc.;
- Involvement of multiple authorities in entry and exit related processes and requirement of several approvals;

- Dependency on manual processing in day-to-day operations due to lack of integration of SEZ online system with ICEGATE and other authorities, excessive paperwork and duplication of processes i.e., online as well physical submissions;
- Withdrawal of benefits under Direct Tax;
- Various bottlenecks such as minimum land requirement, lack of flexibility relating to usage of non-processing areas and idle capacity (vacant land) for SEZ developers;
- Requirement of earning in foreign exchange for services provided to units operating in Domestic Tariff Area (DTA); and
- Lack of standard operating procedures at a centralized level.

The policy makers may also factor in the recommendations of the Baba Kalyani report, wherein post series of consultations and inputs from various stakeholders, the Committee recommended a strategic shift in the purpose and principles of the SEZs in India, with an objective to make SEZs catalysts of economic and employment growth enabled by quality infrastructure and ease of doing business. The proposed changes focus on making provisions and benefits WTO compliant as well as increasing competitiveness of Indian exporters globally while meeting expectations of the industry, as highlighted below:

- Shifting from incentives based on export performance to measures linked to merits such as investments, employment generation, technology innovation, development of backward areas, diversity in workforce, etc.
- Creating a single window clearance mechanism/ one stop shop for central and state level approvals;



- Adopting trust-based regime rather than a control-based regime i.e. implementation of risk-based checks/selective audits to ensure balance between ease of business and necessity of compliance;
- Sharing common user facilities / flexibility of land utilization in non-processing areas as per industry requirements;
- Allowing sub-contracting by or for SEZ units to overcome idle capacity of the units and ensure optimum utilization of manufacturing capacities;
- Allowing flexibility in long-term lease for developers and tenants;
- Allowing supplies to DTA units on a duty foregone basis to provide a level playing field with units under EOU and MOOWR;
- Doing away with the physical endorsement for all procurements as it poses operational challenges due to the sheer volume of procurements;
- Including SEZ units under Remission of Duties & Taxes on Exported Products (RoDTEP) scheme to save units from depriving from export promotion benefits, which may in turn make them uncompetitive in the global market;
- Allowing SEZs to create recreation facilities for seamless and smooth operations, by making suitable amendments in instructions or existing provisions;
- Introducing negative list of services as a guidance for non-authorized operations which are not eligible for concessions, in place of existing uniform list of services, thus allowing all services which are used by a SEZ unit/ developer “in furtherance of business” as “used for authorized operations” except those covered in negative list to bring the definition in line with the GST law;
- Including receipt of consideration in Indian rupee under the definition of services under the SEZ Act;
- Permitting work from home facility perpetually for SEZ employees and allowing SEZ units to take out duty-free assets on a permanent basis to facilitate work from home facility is essential, subject to necessary conditions or safeguards;

- Doing away with requirement of E-way bill for movement of duty-free assets between SEZ units and location of employees in order to reduce administrative and compliance burden;
- Converting all processes of approvals, intimations, renewals, returns to online mode, instead of physical mode;
- Enabling easy exit of units/developers through single window process with well-defined SOP for completion in a time bound manner; and
- Implementing uniform SOPs in all hubs along with notified standard turnaround time.

While the existing SEZ Policy has contributed immensely in growing exports and boosting development of under-developed areas in the Country, the new SEZ legislation would need to go far beyond, with an aim to achieve ease of doing business, and lead to an ‘Atmanirbhar Bharat’. An overhaul of the existing SEZ Policy aligned to aforesaid viewpoints along with IT driven processes, would encourage inclusive governance by the Centre and the States thereby making conduct of businesses more advantageous and uniform. Such policy change would propel India’s manufacturing sector into a growth trajectory, thus bolstering the Government’s flagship ‘Make in India’ program. The industry is eagerly waiting for the draft/model legislation to be released by the Government, basis which the business owners would be able to assess the impact of amendments announced. Considering the authorities have picked up SEZ law for revamp after such a long time, it is anticipated that the new legislation would be a boon for the businesses in one or another way.

Credit -

Praveen Kashyap,
Executive Director,

Grant Thornton Bharat

Contributed by: Sandeep Kumar (Consultant) at Grant Thornton Bharat LLP. (The authors are working with Grant Thornton Bharat LLP and the views expressed are strictly personal.)

Department of Commerce Notifies Rules for Work from Home for Special Economic Zones

The Department of Commerce has notified a new Rule, namely Rule 43A - Work from Home in Special Economic Zones Rules, 2006 across all Special Economic Zones. The notification was issued on demand from the industry for making a provision for a country wide uniform Work From Home (WFH) policy across all Special Economic Zones. The Department of Commerce thereafter held several rounds of discussions with various stakeholders before firming up the notification.

The notification under Rule 43A provides work from home for following category of employees of a unit in SEZ:



- i. Employees of IT/ITeS SEZ units
- ii. Employees, who are temporarily incapacitated
- iii. Employees, who are travelling
- iv. Employees, who are working offsite

As per the new notification, WFH may be extended to maximum 50% of total employees including contractual employees of the unit. There is flexibility granted to Development Commissioner (DC) of SEZs to approve a higher number of employees (more than 50%) for any bona-fide reason to be recorded in writing.

Work From Home is now allowed for a maximum period of one-year. However, same may further be extended for a period of one year at a time by the DC on the request of units. In respect of SEZ units whose employees are already working from home, the notification has provided a transition period of 90 days to seek approval.

SEZ Units will provide equipment and secured connectivity for the purpose of WFH to perform authorized operations of the units and the permission to take out the equipment is co-terminus with the permission granted to an employee.

FAQ Work from Home

1. What do the Commerce Ministry's guidelines on work from home for SEZ mean for employers and employees?

Presently, Work from Home for SEZs was permitted as exception on a temporary basis. It depended upon the discretion of respective Zonal Development Commissioners.

The amendment in Rules gives the provision of Work From Home concept a more certainty and uniformity across the zones.

It basically allows companies to have upto 50% of its employees working from home. Development Commissioner may allow work from home for a period of one year which may be further extended by maximum of one year at a time. The following employees are covered under this :

1. employees of the Information Technology and Information Technology enabled Services Special Economic Zone units;
2. employees, who are temporarily incapacitated;
3. employees, who are travelling; and
4. employees, who are working offsite.



2. What is the rationale behind this decision?

There was a demand from IT/ITES services units that employees are now demanding the facility of working from home as it gives them more flexibility. A number of employees were leaving the companies if it was not allowed. IT/ITES have also seen during the covid period that WFH is good for the companies point of view too as it reduces their costs of logistics and infrastructure. On the other hand, there was a problem for SEZ developers who have made huge investments in provision of world class office space for such companies and if it is not utilised, it goes waste and they were getting into financial problems.

Government has tried to strike a balance between the interest of units and developers/office space providers by permitting WFH for upto 50% employees.

The new amendment in rules have now brought uniformity as earlier there was a lot of discretion with the Development Commissioners as earlier the intention was that WFH should be only as exception and not as a policy.

3. How would you decode this ?

It is very simple. The company desirous of availing WFH facility for its employees will submit the proposal to Development Commissioner who will allow it for a period of one year which can be e extended further for a maxumum period of one year at a time. The company is expected to keep a proper record of the attendance, etc. The Development Commissioner may allow even more than 50% employees working from home in genuine cases.

The amendment in SEZ rules will help in addressing a new work model evolved during covid period which will increase productivity and bring efficiencies and cost savings in the operation of such companies. But it may bring down the demand of transportation and other indirect facilities related to employees working in offices.



Ministry of Commerce and Industry

(Department of Commerce)

NOTIFICATION

New Delhi, the 14th July, 2022

G.S.R. 576(E) — In exercise of the powers conferred by section 55 of the Special Economic Zones Act, 2005 (28 of 2005), the Central Government hereby makes the following rules further to amend the Special Economic Zones Rules, 2006, namely: -

1. (1) These rules may be called the Special Economic Zones (Third Amendment) Rules, 2022.
(2) They shall come into force on the date of their publication in the Official Gazette.
2. In the Special Economic Zones Rules, 2006 (hereinafter referred to as the said rules), in rule 43, in clause (d), in the proviso-
 - (a) clause (i) shall be omitted;
 - (b) in clause (ii), for the words “by following the procedure as laid down in (i) above”, the words “subject to the condition that the Special Economic Zone unit shall ensure that the export revenue of the resultant products or services shall be accounted for by the Special Economic Zone unit” shall be substituted.
3. After rule 43 of the said rules, the following rule shall be inserted, namely: -
“43A. Work from Home. – (1) An Unit may permit its employees, including contractual employees, specified in sub-rule (02), to work from home or



from any place outside the Special Economic Zone in accordance with this rule.

4 THE GAZETTE OF INDIA : EXTRAORDINARY [PART II—SEC. 3(i)] (2) The following employees of an Unit are covered under sub-rule (1),-

- (i) employees of the Information Technology and Information Technology enabled Services Special Economic Zone units;
 - (ii) employees, who are temporarily incapacitated;
 - (iii) employees, who are travelling; and
 - (iv) employees, who are working offsite.
- (3) The Unit shall submit its proposal for work from home to the Development Commissioner through email or physical application, which shall contain the terms and conditions of work from home, including the date from which the permission for work from home shall be utilised and the details of the employees to be covered by such permission for work from home.
 - (4) The Development Commissioner, on receipt of the proposal under sub-rule (3), if satisfied that the proposal complies with this rule, may grant the permission to the proposal of the Unit which shall be valid for a period of one year from the date of such permission.
 - (5) The Development Commissioner may, on receipt of an application for extension of the permission, if he is satisfied with the proposal and that the Unit and its employees have complied with this rule, extend the permission for such period, not exceeding one year at a time.
 - (6) Every proposal for permission of work from home or an application for extension of the permission shall be submitted, at least fifteen days in advance,

to the Development Commissioner, except in case of the employees who are temporarily incapacitated or travelling.

- (7) The proposal for work from home shall cover a maximum fifty per cent of the total employees, including contractual employees, of the Unit and the Unit shall maintain accurate attendance record for the entire period of permission for work from home and shall submit to the Development Commissioner, from time to time.
- (8) The Development Commissioner may approve a higher number of employees to work from home for any bona-fide reason to be recorded in writing.
- (9) An Unit, where, its employees are working from home or from any place outside the Special Economic Zone on the date of commencement of the Special Economic Zones (Third Amendment) Rules, 2022 shall submit its proposal for permission to the Development Commissioner within ninety days from the date of such commencement.
- (10) The work to be performed by the employee permitted to work from home under this rule shall be as per the services approved for the Unit, and the work is related to a project of the Unit.
- (11) The Unit shall ensure export revenue of the resultant products or services to be accounted for by the Unit to which the employee is tagged.
- (12) Where 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 rule 70.
- (13) The Unit may provide to an employee such goods, including laptop, computer, video projection system, other electronic equipment and secured connectivity (for virtual private network, virtual desktop infrastructure) to establish a connection between the employee and work related to the project of the unit with

the prior permission of the Specified Officer to temporarily remove such goods to the Domestic Tariff Area without payment of duty or integrated goods and services tax, subject to the following procedure, namely:-

(i) the unit shall account for the goods removed temporarily;

(ii) the unit shall issue a certificate authorising the employee by name and giving the full specification, namely, serial number and model number and make of the equipment intended to be taken outside the processing area temporarily and a copy of the certificate shall be endorsed to the Specified Officer and acknowledgement received by the Unit; and

(iii) the Unit shall maintain a record of such certificate of authorisation issued under clause (ii) for temporary removal of equipment.

- (14) Notwithstanding anything in sub-rule (1) of rule 50, the Specified Officer may approve the removal of goods mentioned in sub-rule (13), required by an employee permitted to work from home and shall be valid up to such period the permission for work from home under this rule is valid.” [F.No. K-43013(12)/1/2021-SEZ] VIPUL BANSAL, Jt. Secy.

Note: The principal, Part-II, Section 3, Sub-section (i), vide notification number G.S.R 54(E), dated the 10th February, 2006 and lastly amended vide notification number G.S.R 519 (E), dated the 6th July, 2022.





Export Promotion Council for EOUs & SEZs

(Setup by Ministry of Commerce, Government of India)

A-101, 10th Floor, Himalaya House, 23, Kasturba Gandhi Marg, New Delhi-110001

Tel: 011-23329770

Email: dg@epces.in Web: www.epces.in

Alok Chaturvedi
Director General

EPC/SEZ/AM19/A-17

14th June 2022

Dear Sir,

Subject- Not to levy Export Duty on supply of steel from DTA to SEZ units

This is in continuation of EPCES Letter EPC/SEZ/AM-22/F-14 dated 3.06.2022 regarding representation received by EPCES from its members against the levy of Export Duty on supply of steel from DTA to SEZ units just because export duty has been levied on export by Government.

2. Levy of Export Duty on supply of steel from DTA to SEZs is unfair due to the following reasons:

- i. SEZ units use steel for manufacture of goods from the steel procured from DTA units and these goods will be exported. Therefore, this levy of export duty on steel supplied from DTA will discourage manufacturing in SEZs. It should be appreciated that SEZs are very much in India and the employment generated in SEZs benefit the country.
- ii. The basic purpose of levy of export duty is to discourage export of steel and to provide steel for domestic manufacturers. SEZ units are also domestic manufacturers situated in India and they should not be put to disadvantage vis-à-vis units in domestic tariff area.
- iii. Levy of export duty on supplies made from DTA to SEZ units is making SEZ units uncompetitive.
- iv. Levy of export duty on supplies made from DTA to SEZ units has been made applicable by an amendment made in SEZ Rules vide Notification No GSR 909 (E) dated 19.09.2018. This may also not be correct as it can be done through amendment in Act.
- v. Supply of goods from a DTA unit to SEZ unit being a supply of goods within the territory of India, no export duty is leviable under the provisions of Section 12 of the Customs Act, 1962 since such duty can only be imposed in respect of goods which are taken out of India to a place outside India. SEZs are located within India.
- vi. Various courts have also held that transfer of goods from DTA to SEZ is not subject to export duty (Supreme Court on 21.1.2013 in an appeal filed by centre challenging the order of the Gujarat High Court (11.11.2009) barring export duty on goods supplied to SEZs from DTA)

3. As per the data made available from the Government/SEZ online, in 2021-22, Steel worth Rs 1107 cr was supplied from DTA to SEZs (CTH wise supplies attached). As can be seen a transaction of Rs 427 cr in respect of CTH 7214 (Other bars and rods of iron or non-alloy steel), Rs 229 cr in respect of CTH 7208 (Flat rolled products of iron/non-alloy steel of width ≥ 600 mm), Rs 145 cr in respect of CTH 7219 (Flat Rolled products of Stainless Steel of width ≥ 600 mm) and Rs 139 cr in respect of CTH 7213 (Bars and rods, hot-rolled, in irregularly wound coils of iron or non-alloy Steel) from SEZ to DTA took place during 2021-22. This has put immense hardship to MSME units in SEZ using steel for manufacturing of various engineering goods for exports.

4. In view of the above, EPCES requests that Export Duty on supply of steel from DTA to SEZ units should not levied.

With regards,

Yours


(Alok V Chaturvedi)

To
Sh. B.V.R Subrahmanyam
Secretary
Ministry of Commerce & Industry
Udyog Bhawan
New Delhi

Issues were taken up with Government

S NO.	SUBJECT	DETAILS	STATUS
1	RoDTEP for SEZ and EOUs	SEZs and EOUs should also be covered RoDTEP	RoDTEP Committee is analysing the data submitted by the exporters and seeking clarifications. Committee will submit its report to the Government within a total period of 8 months (6 months from submission of report for determining RoDTEP rates for EOU/ SEZ exports and another 2 months of the supplementary exercise). The committee was set up on 18.10.2021.
2	Sale of goods from SEZ to DTA on duty foregone or equalisation duty concept	For flexibility and better utilisation of SEZ capacities, SEZ units should be allowed to make DTA sale on payment of duty equivalent to duty foregone on the raw material used in the manufacture of finished goods sold in DTA market on the pattern of EOUs or on levy of equalisation duty concept to neutralise the advantages for SEZ units vis-a-vis DTA units. 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. The new legislation is likely to introduced in the Monsoon Session of the Parliament.
3	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. This needs to be amended and clarification issued. There is no point in buying FE by DTA buyer to make payment to SEZ sellers. Unfair criterion for Services SEZs needs to be eliminated to prevent relocation of business to overseas Tax-Free destinations of Philippines, Vietnam, Thailand, etc. resulting in diminishing employment avenues for our educated youth.	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 SEZ units selling services in DTA. The new legislation is likely to introduced in the Monsoon Session of the Parliament.

S NO.	SUBJECT	DETAILS	STATUS
4	SEZ units may be allowed to do job work for DTA units	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.	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 SEZ units to do job work for DTA units and vice versa. The new legislation is likely to be introduced in the Monsoon Session of the Parliament.
5	Co-existence of DTA units in SEZs Partial Denotification/ debonding 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 debonding 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 their 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 identified for parts of the built up area. The new legislation is likely to be introduced in the Monsoon Session of the Parliament.
6	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.

S NO.	SUBJECT	DETAILS	STATUS
7	Accumulated IGST Cash Balance lying on GST portal related to DTA removal. Harassment to the SEZ units as IGST paid by SEZ units lying in Electronic Cash Ledgers and not transferred to the Government account harassment by local SEZ authorities'	on the month of August, 2017, 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 electronic cash ledgers which should have been transferred to the Government account.	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.
8	Increase in Lease period of SEZ units from 15-30 years to 99 years in Govt SEZs on private SEZ pattern	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 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 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.

S NO.	SUBJECT	DETAILS	STATUS
		<p>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.</p>	
9	Restoration of provisions for duty free Imports of essential embellishments trimming, tools, consumable to be used in exports	<p>The Provision 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. There is no loss of revenue to Government but it is important provision for ease of doing business for the exports. it affects more than 5000 cr of handicraft export. In budged 2021-22, the provision of duty free import of specified tools, trimmings and embellishments under SI no 229 of customs Notification No 50/2017 dated 30.6.2017 has been withdrawn with effect from 31.3.2021 vide customs Notification No 2/2021- Customs (SI no 22) dated 1.2.2021. under the provision, certain duty free imports of items like electric parts and wire rolls, hinges, metal locks, motif, glue veneer, polish, hooks, rivets, button, veicro, chatan, badges, beads, sewing thread, etc are allowed to handicraft, garments and leather exporters upto 5% of the fob value of exports of previous year.</p>	<p>A letter has been issued to Secretary, Department of Revenue dated 4/03/2021 no. K-43017(16)4/2021-SEZ by Ministry of Commerce, dept. of Commerce seeking to Consider restoring the provision of duty-free import under SI no 229 of customs Notification no. 50/2017 dated 30/6/2017 as the scrapping of his provision May badly impact exports worth Rs. 5000 cr by small exporters and lead to unemployment. This issue was again taken in the meeting called by revenue Secretary on 14.12.2021. Director General called on Chairman CBIC and took up the matter for exemption of electronic items. Chairman CBIC has asked for certain information which is being sought from the members.</p>
10	Exemption from Compensation Cess to SEZs	<p>Notification No. 64/2017-Customs dated 5.7.2017 exempted whole of the integrated tax leviable for the goods imported by a SEZ unit or developer, in the SEZ for authorized operations. However, Compensation Cess was not specifically mentioned in this</p>	<p>DOC vide OM No. K-43015(18)/2/2019-SEZ dated 9.5.2019 requested ADG(EP) to issue a clarification. DG, EPCES called on Chairman CBIC and took up the matter again. Chairman CBIC has assured quick resolution of the matter.</p>

S NO.	SUBJECT	DETAILS	STATUS
		notification. Hence Customs is raising queries while clearing such commodities which are already mentioned in LOA. In case of relevant notification for EOUs - Notification No 78/2017 – Customs dated 13.10.2017, EOUs are exempted from the integrated tax and compensation cess. Similar provision should have been there in the notification related to SEZs.	

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- Petrochemical & Chemical Plants
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The Buyers in UAE will be from the above sectors

The Last date for receipt of the application is 25th July 2022

“Limited Seats” and preference will be given on first-cum-first-served basis

Hon'ble Minister of Commerce and Industry, Interaction with Stakeholders for Fixing the Export Target for the Year 2022-23

Introduction

A meeting was held under the Chairmanship of Hon'ble Commerce & Industry Minister with the Industry Associations and Export Promotion Councils. Addl. DGFT, Chennai & Development Commissioner, MEPZ welcomed dignitaries and the members of the Export Promotion Councils of the textile sector, namely TEXPROCIL, PDEXCIL, EPCES, SRTEPC, HEPC and AEPC to the meeting.

- CIM informed that this meeting is being convened to set exports target for the year 2022-23.
- CIM expressed his pleasure for achieving the 418 billion US\$ exports target achieved during the financial year 2021-22 and that the same was achieved 9 days in advance before the closure of the financial year 2021-22. It was pointed out that achieving this target during the current financial year was the vision of the Hon'ble Prime Minister of India.
- Commerce Secretary informed that some of the export councils have done exceedingly well whereas some have been averaging in terms of their export's performance. He also asked the members of the councils to talk about their performance during the last year and the targets envisaged by them for the current financial year.

Following Councils expressed their current status & future plan for exports:

EPCES

- EPCES informed that exports basket for SEZs comprise 41% Petroleum, 12% G & J etc. US\$ 60 billion of exports from SEZs and US\$ 20 billion of exports from EOUs were affected during the last financial year.
- Requested that the proposal for supply from SEZ to DTA on a duty foregone basis may be considered. Further, rupee payments for supply of services from SEZ to DTA may also be considered.



- It was requested that funds in SEZs may be used for training purposes, without any additional construction activity. It was also proposed that the Freight rates may be paid in rupee terms at exchange rates that are notified by CBIC.

Texprocil

- The Exports of Cotton textile products consisting of Yarn, Fabrics and Made ups, has reached a record level of US\$ 15.25 billion in April - 0March 2021-22, against an export target of US\$ 13.60 billion fixed by the Government, thus, achieving 112% of the target.
- There has been an increase in all round exports of all the products in the cotton textiles value chain such as Yarn, Fabrics, Made ups and Raw Cotton.

They also informed that the export growth of Cotton textiles in 2021-22 has been made possible due to pent up demands and stimulus packages announced by the Government and that there is significant growth in export of value-added products such as Fabrics and Made ups.

- They proposed for an export target of US\$ 16.96 billion for 2022-23, which is, about 25% more than the last year target. HCIM emphasized the need to take exports target higher than proposed. CS suggested that they should try to set a US\$ 20 billion exports target during 2022-23.
- With the extension of the Interest Equalization Scheme and Government initiatives on Ease of Doing Business and Infrastructural and logistics development, exports of cotton textiles will continue to be on the high growth trajectory.
- The issue regarding problems faced by the exporters of Home Textiles through e-commerce, including, non-grant of RoDTEP/RoSCTL/GST was highlighted by the member exporters. It was

informed that facilitating the growth of exports through e-commerce should be discussed at length and a report needs to be prepared to resolve the impediments, as e-commerce is extremely important for trade and industry.

- To sustain the momentum of growth in the exports of Cotton textiles, members expressed gratitude for removal of the customs' duty on import of cotton and further requested to extend the facility of duty free import of trimmings and embellishments for the exporters of made-ups. They have also suggested that in the ongoing negotiations for FTAs with Canada, UK and EU; Textiles & Clothing products (including textile home textile products falling under Chapter 94 and Cotton Shopping Bags falling under Chapter 42) should be covered under a "Zero to Zero" arrangement.
- They suggested to include Home Textiles (Quilts) under chapter 63 instead of Chapter 94; as these are actually textile items and they should remain entitled for coverage under RoSCTL. Presently, Articles of Home Textiles/Bedding such as Mattresses, Mattress Pad, Mattress Topper, Quilts, Comforter, Cushions, Pouffes, Filled Pillows, Decorative Pillows, Bolster and "Bed in a Bag" are being covered under 9404, thus denying them to be identified under Chapter 63 and hence denying RoSCTL benefits to them.
- They suggested that in case of RoSCTL and RoDTEP the provision of recovery from the transferee should be abolished, as the transferee is in no way responsible for the exports or realization of payments.
- It was proposed by them that the benefits under the RoDTEP scheme be credited directly to the exporter's bank account like the Drawback amounts and the RoSCTL scheme for Made ups / Garments.

1.1

Introduction

The era of economic liberalization has ushered in a rapid change in the service sector. In the *world economy*, the importance of the service sector cannot be understated. An analysis of the service sector of various economies of the world shows that the high-income countries have the maximum contribution to the GDP by service sectors to their respective economies. The percentage share of service sectors' contribution to GDP has remained above 50% since 2001 and accounts for more than 1/3rd of the jobs in the world economy.

Owing to this radical change all round the globe, India has also transformed from an agrarian economy to a service economy. Since past more than a decade, the services sector is not only the dominant sector in India's GDP, but has also attracted significant foreign investment flows, contributed significantly to exports as well as provided large-scale employment. Increasing FDI inflows in the



services sector assumes significance as it contributes over 60% to India's gross domestic product from couple of years. As a result, India ranks among top 10 countries around the globe in terms of services exports. In the coming years, services will continue to dominate the growth story as manufacturing has a multiplier effect in the economy with one manufacturing job creating a multiple of service sector jobs. The Government of India recognizes the importance of promoting growth in services sectors and provides several incentives in wide variety of sectors such as health care, tourism, education, engineering, communications, transportation, information technology, banking, finance, management, among others.

1.2 FDI Inflows into Indian Services Sector

According to the World Investment Report 2021 by the UN Conference on Trade and Development (UNCTAD), India was the fifth-largest recipient of Foreign Direct Investment (FDI) in 2020 improving its rank by four places, from ninth position in 2019. In 2020-21, India registered highest ever annual FDI inflows of US\$ 81.97 billion. The country has received US\$ 43.12 billion FDI inflows in the first six months of 2021-22. FDI equity inflows, i.e., FDI inflows minus re-invested earnings, were US\$ 31.15 billion during April-September 2021, growing by 3.8 % per cent over the corresponding period last year.

Services sector is the largest recipient of FDI inflows in India. During H1 2021-22, services sector received US\$ 16.73 billion FDI equity inflows accounting for almost 54% of the total FDI inflows into India. This is over 29 per cent lower than the FDI equity inflows into services in the corresponding period last year. This fall was driven by Computer Software & Hardware sub-sector. In H1 2020-21, FDI equity inflows into 'Computer Software & Hardware' sub-sector was

US\$ 17.55 billion. It has declined by US\$ 10 billion to reach US\$ 7.12 billion in H1 2021-22. However, this is still 77 per cent higher than the FDI equity inflows into this sub-sector during H1 2019-20.

On the other hand, 'Financial, Business, Outsourcing, R&D, Courier, Tech Testing & Analysis', 'Education' sub-sector witnessed strong inflows amounting to US\$ 3.16 billion and US\$ 2.25 billion respectively in April-September 2021. Nonetheless, the services sector still accounts for over 50 per cent of the total FDI equity inflows into India during this period. Singapore continues to be the top investing country in terms of FDI equity inflow while USA occupies the second position.



1.3

India Services Exports

India's services exports touched \$254.5 billion in 2021-22, up 23.4% from \$206.09 billion in 2020-21. It exceeded the previous high of \$213 billion in 2019-20 with March 2022 exhibiting all time high of \$26.9 billion in export of services from India. While the government had set a \$240 billion target for service exports, the second half of 2021-22 ensured that service exports surged past \$250 billion. Analysis of the monthly RBI data for India's International Trade in Services shows that average exports until September were a tad less than \$20 billion per month whereas average monthly service exports were \$22.8 billion in the second half of the fiscal.

Despite sectors like tourism, aviation and hospitality being severely affected due to the Covid-19 pandemic,

India's services sector exports have achieved the \$250 billion mark in the last fiscal. This is mainly on account of the top three - computer, business and transportation services that constitute more than 80% of total services exports with notable global demand for software and IT services exports during the period. Table 1 delineates the break-up of services exports category-wise.

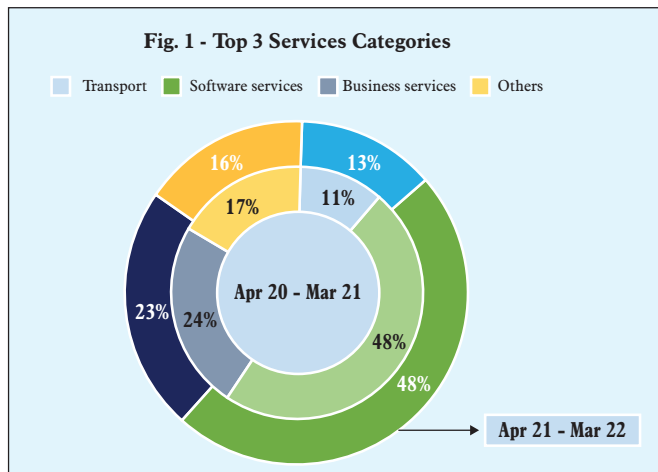


Table 1 - Services Exports in Million USD

S.No.	Description of Services	Apr 2020 - Mar 2021	Apr 2021 -Mar 2022*	Growth (%)
	Total Services	206090	254359	23.4
1	Travel	8483	8938	5.4
2	Transport	21854	32045	46.6
3	Insurance	2376	3323	39.9
4	Government not included elsewhere	630	886	40.6
5	Telecommunications, Computer & Information Services	103078	126661	22.9
	a) Telecommunication Services	2801	3270	16.7
	b) Software Services	99997	123020	23.0
	c) Information Services (News Agency)	280	371	32.5
6	Construction Services	2620	2823	7.7
7	Financial Services	4338	5314	22.5
8	Royalties, Copyright & License Fees	1310	870	-33.6
9	Business Services	49161	58036	18.1
10	Personal, Cultural & Recreational Services	2336	3022	29.4
11	Maintenance & Repair Services	159	274	72.1
12	Mfg. Services on Physical Inputs owned by others	296	395	33.4
13	Other Services not included elsewhere	9447	11772	24.6

* Estimated Based on RBI Data

Top Three Services Exports Categories



It's quite evident from the data that the top 3 services accounts for more than 80% of the total service exports from India., Software Services constitute about 48%, Business Services 23-24% and Transport services 11-12%, of the total Indian services exports.

- a) **Transport Services** - Growth in exports of transportation services had moderated to 4.1% due to slowdown in trade activity and supply chain disruptions in 2020-21. However, with resumption in cross-border trade activity and shortage in shipping containers impacting transport costs, the transportation services exhibited the maximum growth of 46.6% from \$21.85 billion in F.Y. 2020-21 to \$32.05 billion in F.Y. 2021-22.



- b) **Software Services** - India's software exports, with a share of 48.5% in total services exports, remained relatively resilient during Covid-19 period with higher demand for digital support, cloud services and infrastructure modernization catering to the new pandemic challenges exhibited the growth of 23% from 100 billion USD in F.Y. 2020-21 to 123.02 billion USD in F.Y. 2021-22.

- c) **Business Services** - The exports of business services increased by 18.1% from 49.16 billion USD in F.Y. 2020-21 to 58.04 billion USD in F.Y. 2021-22, even surpassing the pre-pandemic levels, mainly on account of rise in receipts relating to professional and management consultancy.



The strong growth witnessed in services exports may also be attributed to key reforms undertaken by Government, which inter alia include liberalizing the Other Service Providers (OSPs) in November 2020 and further in June 2021 announcing reform package for Telecom sector to infuse liquidity, encourage investment and reduce regulatory burden on the telecom service providers. It gave an impetus to IT and IT enabled service companies carrying out services like tele-medicine, e-commerce, call center, network operation center and other IT Enabled Services. Few initiatives had also been taken for Transportation

sector. To address the problem of shortage of containers and high freight rates, the Government has taken few measures such as higher import of containers, facilitating close coordination between exporters and shipping lines, release of abandoned/detained/seized containers, increasing duty free stay of containers. The Sagarmala programme of the Ministry of Ports, Shipping and Waterways to promote port-led development in the country by taking advantage of India's 7,500 km long coastline, 14,500 km long potentially navigable waterways and the strategic location on major maritime trade routes.

1.4

India Services Exports Growth

The services sector of India remains the engine of growth for India's economy and contributed 53% to India's Gross Value Added at current prices in FY22 (until January 2022). India's services sector GVA increased at a CAGR of 11.43% to Rs. 101.47 trillion (US\$ 1,439.48 billion) in FY20, from Rs. 68.81 trillion (US\$ 1,005.30 billion) in FY16. Between FY16 and FY20, financial, real estate and professional services augmented at a CAGR of 11.68% (in Rs. terms), while trade, hotels, transport, communication and services related to broadcasting rose at a CAGR of 10.98% (in Rs. terms).



Fig. 2 - % Change in services exports b/w C.Y. 2020 and 2021

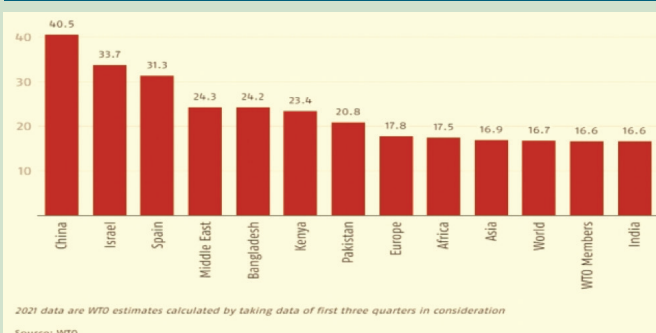


Fig. 2 shows analysis of estimates of services exports from WTO which indicates that India's service export growth for the calendar year 2021 was in line with the WTO average, but lower than global average. Thus, India services exports though breached the earlier levels but when compared with other Asian economies it was comparatively lower. India's export growth was also lower than Africa's and Asia's average. Africa recorded a 17.5 per cent growth in service exports, whereas Asia's exports grew 16.9 per cent during this period. Neighbors' Bangladesh and Pakistan registered over 20 per cent growth in service exports, whereas China recorded a 40.5 per cent rise in service exports.

1.5

India Services Trade

Even though exports have grown more than 23 per cent, imports also grew at the similar rate to \$144.8 billion in 2021-22. In seven years, the service trade balance crossed the \$100 billion mark for the first time which is quite evident from Fig. 3.

Fig. 3 - Services Trade



1.6 Services Exports from EOUs and SEZ Units

As per the NSDL data, the services exports from Special Economic Zones (SEZs) units increased by 14.6 per cent from US\$ 69.41 billion in F.Y. 2020-21 to US\$ 79.53 billion in F.Y. 2021-22. Whereas the services exports from Export Oriented Units (EOUs) decreased by 6.6 per cent from US\$ 901.05 Million in F.Y. 2020-21 to US\$ 841.88 million in F.Y. 2021-22. Thus, the total exports of services from EOUs and SEZ units increased by 14.3 per cent from US\$ 70.31 billion in F.Y. 2020-21 to US\$ 80.38 billion in F.Y. 2021-22 which accounts for approx. one third of the total services exports from India.

The majority of services exports comes from SEZ units and are negligible, less than a billion USD from EOUs. It is to be noted that the units in SEZs/EOUs are rendering services majorly in Information Technology (IT) and IT enabled services (ITeS). Thus, the major chunk of the services exports from EOUs and SEZ units fall under Software services and Business services.

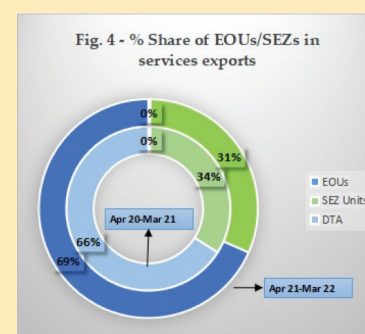


Table 2 - % Share of IT/ITES SERVICES in EXPORTS in Billion USD

S.No.	Description of Services	Apr 2020 - Mar 2021	Apr 2021 - Mar 2022*	Growth (%)
1	Total Services Exports	206.1	254.4	23.4
2	Total Software and Business Services (SBM) Exports	149.2	181.1	21.4
% Share of SBM Services in Total Services Exports		72.4%	71.2%	
3	SBM Exports from EOUs and SEZ Units	70.3	80.4	14.3
% Share of EOUs/SEZs in SBM Exports*		47.1%	44.4%	

* Estimated Based on RBI Data

• Assumption - Major Exports from SEZs/EOUs in IT/ITeS

As seen from the Table 2, combined exports of Software Services and Business Services constitute more than 70% of the India's total services exports. Assuming that services exports from EOUs/SEZ units majorly fall in these two categories, the share of EOUs and SEZ units

is around 45% in total exports of Software and Business Services from India. Thus, development of SEZs is directly co-related with the transformation of India's services sector as SEZ units accounts for a approx. 1/3rd share in total services exports from India.

1.7 Proposals/Inputs to Boost Services Exports

The Government of India (GoI) has taken several initiatives to promote IT/ ITeS sector in the recent past such as Software Technology parks of India (STP) Scheme, National Policy on Software Products-2019, Next Generation Incubation Scheme. These initiatives helped to promote the culture of innovation, give impetus to technology start-ups and enabling infrastructure for development of the sector. The underlying objective of the initiatives is to create a vibrant software product ecosystem for continued growth, new employment and enhance competitiveness which will develop India as global software product hub.

The development of SEZs was a boon for the fledgling services sector in past more than a decade. EPCES held consultations with its members operating in SEZs in the field of IT and ITeS regarding measures/steps to be taken so as to promote the Indian services exports. Industry is quite confident that the DoC will take into account



the development of IT/ITeS sector in the new legislation which will replace The Special Economic Zones Act. Thus, a holistic legislation will be a big boost to the Indian services sector and in turn aid the growth in exports of services. The inputs received from members through consultations regarding issues faced by them in India or abroad in export of their respective services have been collated and tabulated in the Table 3.



We have never been against migrant labourers at all, Says S Krishnan

Migrant workers are vital to Tamil Nadu's economic development. In a number of ways, the State government has been open to them, said Industries Secretary S Krishnan. Replying to a question on migrant workers at a seminar, Krishnan said, "We take a compassionate and social view of this. Industries in this State have benefited significantly from the social dividend through the welfare approach of successive governments," he said at a road show on export promotion through Special Economic Zones (SEZ) in Tamil Nadu organised by FICCI, Madras Export Processing Zone, Sipcot and the Export Promotion Council for EOUs and SEZs.

"When a few workers died in an unfortunate accident, we equated the benefits that we pay from the Construction Welfare Board and said this means no difference if the person is a resident of Tamil Nadu or of another State. As long as they are contributing to economic activity here, we need to compensate all of them," he said. "We have never been against migrant labourers at all," he added.

During the Covid pandemic, the State government paid migrant workers in Tamil Nadu to go back to their respective states. The State government also paid for those Tamil Nadu workers living in other states to return to the State. "We paid on both sides. We did not make a fuss about it," he said.



Encouraging exports

There is a clear intent by the Tamil Nadu government to encourage exports and a clear intent to facilitate exports. The State government intends to do it fundamentally by giving you [trade] a State with quality human resources, infrastructure, ease of doing business, and a way to bring down the transaction cost, and ensure that you are able to manufacture competitively for the world from Tamil Nadu. Please take advantage of this opportunity, Krishnan urged exporters.

"As a State government, it is not as if we feel that exports are not a concern. The State government has put out an export strategy. Our dream would be to see Tamil Nadu would be the SEZ as a State completely. It does not really matter whether you invest in this part of Tamil Nadu or that part of the State. We will still be competitive and export," said Krishnan. One recurring theme that came from the recent visit to Davos was that anyone is increasingly looking for resilience in supply chains and diversification of supply chains. This is where the opportunity lies for India, and specifically for Tamil Nadu, he said.



Is there any Dichotomy between India's New FTA Strategy and its Trade Policy?

India's recalibrated free trade agreement strategy lacks appropriate coherence to its trade policy that vouches for domestically produced goods over imported goods. The increased proclivity towards signing the free trade agreements is more driven by its geostrategic interests and prominently addressing the supply-chain vulnerabilities.

India's annual merchandise exports have crossed the mark of \$400 billion just before the end of the financial year 2021–22. These exports have increased from \$290 billion in 2020–21 to \$417 billion in 2021–22, reflecting an increase of more than 40% on an annual basis. As part of its broader Self-reliant India initiative (Atmanirbhar Bharat), India has set an ambitious export target of \$1 trillion by 2030 (Economic Times 2022). To achieve this target, it is widely felt that India needs to adopt a proactive approach toward free trade agreements (FTAs) and enter into trade pact with countries that not only contribute to improved market access for goods but deepen strategic trade and investment linkages to make its supply chain much more resilient (RBI bulletin 2021; Palit 2021).

Remarkably, India's new-found enthusiasm for FTAs is shaped by two important factors: first, the developed countries such as the United States (US), the United Kingdom (UK), Europe, Australia, and Canada are eventually addressing their supply-chain vulnerabilities and vigorously pursuing policies that reduce their dependence on China. This provides opportunities for India to emerge as an alternative supplier of goods and capitalise on this development (Banerjee 2021). This naturally creates the need to foster deeper economic and trade engagement with these developed economies through bilateral and multilateral trade deals to generate business opportunities for Indian firms (Banerjee et al 2021). Second, from an economic and strategic perspective, India is not a part of any of the two mega-regional trading blocs—the Regional Comprehensive Economic Partnership Agreement (RCEP) and the Comprehensive and Progressive Agreement for Trans-

Pacific Partnership (CPTPP). This shuts the door for preferential market access in these rapidly growing markets. However, India has free trade pacts with selected member countries of both these mega-regional trade agreements. But there are concerns regarding the erosion of market access due to the aggregate impact of mega-trade agreements and their ability to divert the geography of value chains, thereby displacing Indian firms from the existing production networks.

India's renewed interest in FTAs, to a certain extent, is shaped by the buoyant export performance in 2021. A sharp rise in India's exports has formed a view among policymakers that it needs free trade deals that strengthen the current momentum of exports (Dhar 2022). Further, the Ukraine–Russia war-induced global supply chain disruption and the economic crisis in Sri Lanka have created new export opportunities for India in specific sectors such as agriculture and textiles (S N Sharma 2022; Mishra 2022).

During the period from 2004 to 2011, India has signed, ratified, and enforced 11 preferential and free trade agreements, but it has not signed even a single trade agreement thereafter. India has walked out of a mega-regional trade agreement—RCEP—by stating its concerns over outstanding issues (Singh and Singh 2020). In the post-pandemic (COVID-19) period, the Indian economy reflected signs of recovery from the depth of the crisis, thereby changing the Government of India's (GoI) scepticism towards FTAs (Dhar 2022). As a result, the GoI has signed FTAs with Mauritius, the United Arab Emirates (UAE), and Australia. India is also attempting to negotiate similar trade pacts with the UK, the European Union, Canada, Israel, and the Eurasian Economic Union. It is also expected that India would finalise trade agreements with Israel and the UK by the end of 2022 (Laksar 2022; Nandi 2022). Other than new trade agreements, the GoI is also renegotiating its existing FTAs with the Association of Southeast Asian Nations, Japan, and South Korea to address provisions

related to anomalies and asymmetries that led to the consistent increase in its trade deficit (Rajya Sabha 2021). The article argues a number of key issues that exhibits a dichotomy between India's trade policy stance and the recent thrust on engaging in various FTAs. This dichotomy is observable by India's promising FTA partners as well, which raises concerns about India's actual trade negotiating and diplomatic stand and the ultimate fruitfulness of the outcome.

Dichotomy

The foundation of an FTA lies in an open and liberal trade policy where the FTA partners could reciprocate market access based on their comparative cost advantage and trade specialisation. This augments the growth of bilateral trade and investment flows and fosters deeper economic and strategic relations. This reciprocal relationship hinges on greater coherence between FTA strategy and trade policy. India's new-found enthusiasm for FTA seems conflictive with its trade-policy stance under the Self-reliant India initiative, whose genesis is on "vocal for local," thereby promoting domestically produced goods over imported goods. This is because of the tariff policy regime, the Customs (Administration of Rules of Origin under Trade Agreements) Rules (CAROTAR), 2020 for regulating imports under FTAs, and greater importance to geostrategic interest vis-à-vis trade.



Tariff Policy

India's import policy has marked a major change over the past few years. According to the World Trade Organization (WTO) tariff profile, India has the highest average tariff of 15% in the Asia-Pacific region; the average import tariffs have increased from 13.5% in 2016 to 15% in 2020. An increase in import tariff(s) is being recognised both in industrial and agriculture products. Figure 1 demonstrates the average import tariffs on industrial products increased from 10.2% in 2014 to 11.9% in 2020, while in agricultural products, it has increased from 32.7% to 34%. However, the average import tariffs on industrial and agricultural products have slightly come down in 2020 but it is still higher compared to 2016 and 2017. The GoI has introduced import-licensing requirements and a blanket ban on imports of many products. It has placed import restrictions on the import of light-emitting diode (LED)/television and 101 defence products (Kaushik 2020). Besides import tariffs, the GoI has introduced a number of non-tariff barriers (NTBs) that include quality control orders and an import monitoring system (for example, a steel import monitoring system).



The standard tariff analysis is based on an applied tariff that includes basic customs duty (BCD). But, in practice, the importing firm has to pay additional duties and taxes other than the BCD. In the pre-goods and services tax (GST) era, the total duties included components like special additional duties (SAD), countervailing duty (CVD), education cess, etc. These duties have now been merged with the Integrated Goods and Services Tax (IGST) Act, 2017 and the total duty levied on imported goods includes BCD, IGST, and social welfare surcharge

(SWS). Imported goods are also subject to anti-dumping and safeguard duties on a case-by-case basis. In this context, it is pertinent to state that the total duty to be levied on imports is significantly higher than the BCD, reflecting the overall high import tariff structure due to IGST and SWS. This is quite opposed to what is reflected in the most favoured nation (MFN)-applied average tariffs. However, it needs to be understood that for the IGST paid, input tax credit (ITC) can be taken and utilised to pay taxes, such as CGST/SGST/IGST. But, the importing firm cannot get the refund of BCD and SWS. Therefore, SWS, which is 10%, is an additional burden besides the complex procedures of paying IGST and taking the refund. The overall structure of India's tariff policy reflects inward orientation and is not in consonance with its FTA strategy that aims at improving market access on a reciprocal basis. It also weakens the negotiating capabilities of Indian policymakers in FTA negotiations.

Carotar, 2020

The GoI vide its notification dated 21 August 2020 introduced the CAROTAR, 2020 (Ministry of Finance 2020). The main objective of these rules is to restrict the potential misuse of preferential tariffs by third countries under India's trade agreements. It is pertinent to mention that the introduction of CAROTAR is primarily aimed to regulate the entry of third-country goods through its FTA partners. These rules have far-reaching implications for imported goods from our FTA partners and potentially undermine the benefits of preferential tariffs.

Under the CAROTAR, 2020, the GoI has introduced amendments in Section 28DA of the Customs Act, 1962, which states that customs officers hold the exclusive right to give or deprive the benefits of preferential tariffs on imported goods if they have any "reason to believe" that the origin criterion, stipulated in a negotiated trade agreement, is not followed. It is worth explaining that the term "reason to believe" is open for interpretation. Therefore, this amendment is indicating that the outcome could be shaped by the whims and fancies of the customs officers, thereby undermining the potential benefits of preferential tariffs under an already negotiated and mutually agreed FTA (Singh and

Singh 2020). In addition, the over-reliance of the act on the judgmental capacity of the customs officers is also leading to a possibility of growing rent-seeking attitude among bureaucrats, which would adversely undermine the significance of the existing and future free trade deals.

The CAROTAR stipulate that the "origin-related information" needs to be in form I for every shipment for a period of at least five years from the date of import clearance and submit the same to the proper officer whenever required. It is important to note that the origin-related information is very exhaustive and demands complete information regarding the origin of goods such as wholly obtained, regional value content, change in tariff classification, and change in chapter. It further states that the importing firm needs to provide detailed information regarding the value of content, components used in manufacturing, and other costs (labour cost, the materials used, overhead expenses, etc) if the imported goods are from a non-originating material.

There could be a possibility that exporting firms may refuse to provide sensitive price information concerning used raw materials and intermediate inputs used in such exportable manufactured products. The information sought under form I, about the non-originating material used in exportable products, is exhaustive, necessitating the specific details, which may be difficult to collect in a highly dispersed global value chain-led manufacturing operations. This is because value chains are spread in different geographical areas and collecting the information related to raw materials and intermediate suppliers of the whole value chain is a very challenging task.

Further, the issue becomes even more complicated if the exporting firm refuses to share the information of the whole value chain, creating problems for the importing firm to prove that goods are "substantially transformed" to qualify for the preferential benefits. The failure to obtain the required information may deprive the importing firm of availing the preferential benefits, thus increasing the cost of imported products. In other words, it effectively undermines the market access of FTA partners negotiated under a trade agreement, thereby making its exports uncompetitive.

The CAROTAR introduced new regulatory guidelines for the treatment of identical goods. It states that if the importing firm fails to meet with the origin criterion stipulated in the rules of origin (RoO) chapter of a trade agreement, the principal commissioner of customs holds the right to consider or not to consider the claims of preferential tariff, filed before or after such determination, for identical goods imported from the same exporting and importing firm. This rule poses significant implications to both importing as well as exporting firms.

To understand this, let us take an example in the case of a trade transaction under the Australia–India Economic Cooperation and Trade Agreement (AI-ECTA). As per the rule, if an Indian firm is importing goods from a supplier based in Australia throughout the year and an issue arises concerning compliance with the origin criteria of certificate of origin (CoO) due to some reason(s) for a particular imported consignment, it should not be penalised for all the consignments that have been imported from a supplier in Australia before the determination of a specific issue with CoO. This rule could potentially undermine the right of the exporting firm to get preferential market access under the AI-ECTA. The problem could get further escalated into a complex situation for a supplier based in Australia that supplies identical products to different importing firms in India. The inability to comply with the origin criteria in the case of one specific consignment will contribute to cascading deleterious effects on Australian suppliers to claim preferential benefits.

The introduction of CAROTAR, 2020 is a unilateral measure by India on imported goods under FTAs. They place several stringent regulatory compliances on imports, which may potentially deprive exporting firm(s) to leverage the benefits of preferential market access. These rules are fundamentally against the objectives of the trade agreement for which it was signed. India's stance to place stringent checks on imports may instigate its FTA partners to undertake similar measures, which will ultimately lead to trade protectionism, thus benefiting the business interests of other countries. It is pertinent to state here that India's FTA partners have

already expressed their concerns at the WTO regarding the additional documentary and regulatory compliance to determine the origin of imported goods. FTA partners such as - Japan, South Korea, Indonesia, Malaysia, and Sri Lanka have stated that this could potentially emerge as non-tariff barriers, thereby affecting their exports to India (Mishra 2021). The nature and content of the CAROTAR may be the bone of contention for India's ongoing and future FTA deals.

Geostrategic vis-à-vis Trade Interests

India's bilateral trade pacts with the UAE and Australia have strong geostrategic and geopolitical elements given the fact that both FTA partners are members of the two Quadrilateral Security Dialogues (QUAD). The QUAD is a strategic and security dialogue among countries that share more or less common strategic and security concerns. The western QUAD consists of Israel, India, the UAE, and the US, while the eastern QUAD consists of Australia, India, Japan, and the US. India's signing of the FTAs with important geopolitical partners such as the UAE and Australia is abruptly changing its conservative "protectionist" image that has developed due to its decision of walking out of the RCEP.

Moreover, with these trade deals, India is conveying a hint to its strategic partners that its non-committal position on the Russia–Ukraine War should not be viewed as if it is shifting toward a Russia-led alliance (Singhal 2022). The India–UAE Comprehensive Economic Partnership Agreement (CEPA) is part of a larger strategic context aligned with the western QUAD constituting Israel, India, the UAE, and the US as key strategic partners (Palit 2022b; Ghosh 2022). The CEPA agreement with the UAE paves the foundation for deeper ties with the Western neighbours that serve its interests of getting into trade agreements without China's presence. This agreement could also serve as a template for a full-fledged trade agreement with the Gulf Cooperation Council, which would further deepen India's economic and strategic integration with Gulf economies.

Similarly, AI-ECTA is an interim trade agreement, aimed at boosting bilateral trade and investment ties. The agreement is part of a broader geostrategic context in which India and Australia want to reduce their dependence on China. Australia's economic and trade ties with its largest trading partner China, have entered in worst phase due to political meddling and sparring over the origins of COVID-19 (K Sharma 2022). This was further aggravated by the Chinese restrictions on Australia's exports such as barley, grain, beef, coal, wine, and sugar. Likewise, India's widening trade deficit with China, coupled with a military stand-off at the Himalayan border, have compelled the Indian policymakers to reconsider its economic and trade partnership with China and identify a new strategic trade partnership. This reflects a strong convergence between India and Australia's strategic interests that underpins the importance of balancing relations with China. It is not only on the bilateral front that both countries are working towards addressing their geostrategic challenges. India, Australia, and Japan have launched the Supply Chain Resilience Initiative (SCRI) in 2021 to manage their supply chain risks by mapping out economic and trade complementarities (*Hindu Business Line 2021; Palit 2022a*).

India has tried to strike a balance in its geostrategic interest vis-à-vis trade interest, by setting up ambitious goals for promoting bilateral trade with the UAE and Australia, thereby expanding economic and trade ties. But, the depth and breadth of these two agreements, in terms of coverage and substantive provisions, are more or less in line with India's trade agreements with Japan and South Korea. The AI-ECTA is an interim agreement and far away from its original ambition of a CEPA, which will include important areas of negotiations such as digital trade, agriculture, government procurement, and deeper regulatory disciplines. Both countries have agreed to constitute a team for CEPA negotiations, once the ECTA is signed. There is, however, no clue whether these talks would be subject to ECTA's ratification. Interestingly, the operative element of "entry to force" is subject to its approval in the Australian parliament, which got officially dissolved on 11 April 2022, thereby putting the ECTA on a ventilator. Without the ratification of the ECTA in the Australian parliament, the agreement would not be able to materialise even as an interim arrangement. This

demonstrates that the AI-ECTA is a mere manifestation of the geostrategic interest rather than trade interest.

Further, the announcement of India's foreign trade policy (FTP) is lingering on for almost two years. The Ministry of Commerce and Industry has again extended the FTP for six months without recognising the fact that it is one of the most important policy documents that sets the long-term direction for exports and provides clarity regarding various policies and incentives to the Indian trade community. The prolonged delay in India's FTP itself reflects that India's renewed interest in FTA is conditioned on geostrategic interest rather than trade interest.

Conclusions

India's recalibrated approach towards FTAs is full of ambivalence and reflects inconsistencies with its trade-policy stance under the Self-reliant India initiative that underpins the importance of domestically produced goods over imported ones. The persistent increase in import tariffs and the introduction of the CAROTAR to regulate imports from FTA partners square off its efforts in India's new-found enthusiasm for FTA strategy aimed at promoting India's exports through better market access. These rules either need to be amended or withdrawn to make sure that India's trade policy is in consonance with its external trade engagement. Otherwise, the lack of synergy between trade policy and FTA strategy not only weakens India's negotiating capacity, but also undermines the potential economic benefits of free trade. Finally, India's trade pacts with the western and eastern QUAD members (the UAE and Australia) are driven by geostrategic interest rather than trade. India's trade pacts with the UAE in general, and Australia in particular, are not comprehensive in terms of their coverage, scope, and depth. They seem to be aimed at addressing the supply-chain vulnerabilities associated with China.

Credit – Economic and Political Weekly

EPCES Latest Circulars and Notifications Issued

Circular No.	Date	Details
Notification	01.04. 2022	CBIC Notification no 18/22 dt 31st March 2022 - G.S.R. 249(E).-In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act, 1962 (52 of 1962), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 52/2003-Customs, dated the 31 st March, 2003, published in the Gazette of India, Extraordinary, vide number G.S.R. 274 (E), dated the 31 st March, 2003, namely:- In the said notification, in the opening paragraph, in the proviso, for the figures, letters and words “1” day of April, 2022”, the figures, letters and words “1” day of July, 2022” shall be substituted.
Circular No. 394	22.04.2022	Circular No. 394 (Trade Notice No. 02/2022-23) - DGFT Helpdesk support now available on 24x7 basis-reg.
	22.04.2022	(Trade Notice No. 02/2022-23)
	08.07. 2022	DGFT synced the ITC (HS), 2022-Schedule-1 (Import Policy) with the Finance Act, 2022. Amendment in registration time period of Steel Import Monitoring System (SIMS). Syncing of ITC (HS), 2022-Schedule-1 (Import Policy) with the Finance Act, 2022 (NO.6 of 2022) dated 30.03.2022 Amendment in registration time period of steel Import Monitoring System (SIMS).
	06.07. 2022	Implementation of Paper Import Monitoring System (PIMS) - Clarification w.r.t. applicability of PIMS at the time of import at SEZ/FTWZ/EOU and further import into DTA.
Circular No 395	25.04.2022	(Reimbursement of expenditure incurred by exporters on Statutory Compliances under MAI Scheme)
Circular No. 396	04.05.2022	Calling SEZ Units, Developers and Service Providers to Expand their Business Opportunities and Boost Exports by Participating in an International Event at Montego Bay, St. James, Jamaica, June 13-17, 2022
Circular No 397	11.05.2022	Sub: Suggestions / Proposals from members to fillip services exports from India
Circular No 398	04.07.2022	Exemption of IGST & Compensation Cess on imports of goods under AA/EPCG/EOU Schemes

News from the Zones

EVENTS ORGANISED at SEEPZ-SEZ

Dr Babasaheb Ambedkar Jayanti Celebrated at SEEPZ SEZ – 21st April, 2022

On 14th April, Dr Bhimrao Ambedkar Jayanti is celebrated all over the country. Dr Ambedkar also known as Babasaheb Ambedkar was an Indian jurist, economist, politician and social reformer who inspired the Dalit Buddhist movement and campaigned against social discrimination towards the untouchables. He is also known as the Father of the Indian Constitution.

Dr Ambedkar was born on 14th April, 1891 at Mhow, near Indore, Madhya Pradesh. He passed his matriculation from Bombay University and later graduated in political science and economics from Bombay University. He did his higher studies from USA and Germany.

In 1947, when India became Independent, he became the first Law Minister of Independent India. In 1956 he embraced Buddhism along with many of his followers. He fought for the equality and rights of the down trodden and poor. Dr Ambedkar is known as the Architect of Constitution of India, his hard work in drafting the constitution and making it a powerful tool for the social and economic empowerment for the down trodden shall be remembered for ever.

In order to commemorate the birthday of Dr Ambedkar, SEEPZ SEZ celebrated Dr Ambedkar Jayanti on 21st April, 2022 in the premises. Shri Shyam Jagannathan, Development Commissioner Seepz, Shri C P S Chauhan, JDC, Shri Anurag Agarwal, Deputy Development Commissioner, Shri Anil Chaudhary, SO and other senior officials were present during the occasion and shared their thoughts on Babasaheb Ambedkar also present were the SEEPZ SEZ unit members. A book on Annihilation of Caste written by Dr Ambedkar was distributed to the participants during the occasion.

A presentation was made by Isha Foundation on Save Soil Awareness.



*Shri Shyam Jagannathan, IAS, Development Commissioner
SEEPZ lighting the lamp during the occasion*



*A book on Annihilation of Caste written by Dr Ambedkar was
distributed to the participants during the occasion*

Kamgar Diwas - Labour Day was celebrated in SEEPZ-SEZ on 11th May, 2022.

Shri Shyam Jagannathan, IAS, Development Commissioner SEEPZ welcomed Shri Vishram Deshpande, Retd Joint Labour Commissioner, Government of Maharashtra who was the Chief Guest and had come from Pune to share his views on the importance of Labour Day. He addressed the participants on the importance of Labour Day. DC, SEEPZ, JDC (who participated online) also addressed on the importance of Labour Day. The meeting was attended by Trade Councils, Associations and SEEPZ units.



Shri Shyam Jagannathan, IAS, Development Commissioner SEEPZ welcoming Shri Vishram Deshpande, Retd Joint Labour Commissioner, Government of Maharashtra during the Celebration of Kamgar Diwas Labour Day at SEEPZ-SEZ on 11th May, 2022

Training Session by NCW on the Law of Prevention of Sexual Harrassment 24th May, 2022

A training Session was organised by National Commission for Women (NCW) on the Law of Prevention of Sexual Harassment at SEEPZ on 24th May, 2022. Smt Meeta Rajiv lochan, IAS Member Secretary, NCW (in the rank of Secretary to Government of India) chaired the meeting. Smt Kanchan Khattar, Senior Coordinator, NCW was also present during the session.

The session created awareness with regard to the “Prevention of Sextual Harassment Act 2013”. Shri Shyam Jagannathan, IAS, Development Commissioner SEEPZ welcomed the chairperson and senior coordinator NCW, Shri CPS Chauhan, IRS, JDC, SEEPZ addressed during the session.

The programme was attended by the members from Trade Councils, Associations and SEEPZ Units.



left from podium : Shri CPS Chauhan, IRS, JDC, SEEPZ, Shri Shyam Jagannathan, IAS, Development Commissioner, SEEPZ, Smt Meeta Rajiv Lochan, IAS, Member Secretary, NCW (in the Rank of Secretary to Government of India), Smt Kanchan Khattar, Senior Coordinator, NCW.

Golden Jubilee Inaugural Session – SEEPZ SEZ 28th May, 2022

The Santacruz Electronic Export Processing Zone-Special Economic Zone (SEEPZ-SEZ) commenced its Golden Jubilee celebrations on 28th May 2022.

The inaugural event commenced with a vintage-car drive flagged off by the SEEPZ Development Commissioner, Shri Shyam Jagannathan. Held in association with the Vintage and Classic Car Club of India (VCCCI), participation from Mumbai's leading vintage-car owners and connoisseurs was witnessed. This was followed by the inaugural function where a short film encapsulating the significance of SEEPZ-SEZ and its myriad facets was screened.

Speaking on the occasion, SEEPZ Development Commissioner Shri Jagannathan shared his vision for SEEPZ-SEZ 2.0, which involves a major overhaul of the cluster. He gave details about the Rs 200-cr redevelopment plan to refurbish and rejuvenate SEEPZ-SEZ; the project was announced by the Union Minister of Commerce & Industry, Consumer Affairs & Food & Public Distribution and Textiles, Government of India, Shri Piyush Goyal last year. It includes the establishment of a mega Common Facility Centre (CFC), the first of its kind in the country, which will provide cutting-edge technology as well as hi-tech machinery for manufacturing and other allied processes in gems and jewellery. The mega CFC will empower small manufacturers, train and upskill them as well as help them scale up their quality of production. It's an Rs 80-crore project, which is targeted for completion by May 1, 2023. The other plans include two new SDF (Standard Design Factory) buildings, where members of the oldest SDF buildings – 1 & 2 – will be shifted. The complete makeover of the existing Government building at SEEPZ and positioning it as SEEPZ 2.0- all of these will be accomplished by May 1, 2023, he stated.

The Development Commissioner further said, "SEEPZ has witnessed phenomenal growth in the previous year and achieved record exports exceeding Rs 1.50 lakh crores, investment of more than Rs 80,000 crores and employment generation for 5,60,000 people". Total Exports of the Entire Zone with 694 units during FY 2021-22 stood at Rs 1,54,328 crore.

Shri Jagannathan also informed that a host of activities like cultural evenings, dance and drama, awards functions, blood donation camps, marathons and cyclothons, cricket tournaments will mark the golden jubilee year celebrations of the India's *India's key export promotion destination with the single largest concentration of gems and jewellery units (over 180) worldwide, plus engineering, electronics hardware (non-IT), software (IT/ ITeS), services & trading units (non-jewellery) recording merchandise exports worth over Rs 27,000 crore annually.*

All the former Development Commissioners who have steered the SEZ since 1973 were felicitated on the occasion. The First Development Commissioner who took charge of the SEZ in 1973, Shri S. Rajagopal, in his video message, narrated the story of SEEPZ since its inception.

The Joint Development Commissioner, SEEPZ Shri CPS Chauhan made a brief presentation highlighting key aspects and achievements. A brochure was released on the occasion and an exhibition showcasing the 50-year journey of SEEPZ-SEZ, as well its biodiversity and modernization plans was opened for viewing. The Joint CEO of MIDC Shri Sriram Naik and trade members were also present amongst the dignitaries.

Set up on May 1, 1973 as a single product EPZ for electronic items as per a notification by the Government of India, its scope was extended to cover gems and jewellery in 1987-88. It was declared one of India's first Special Economic Zones in 2000 and then a multi-sector SEZ in December 2019. There are over 180 jewellery



Shri Shyam Jagannathan, IAS, DC SEEPZ, Addressing the Gathering, Shri CPS Chauhan, IRS, JDC, SEEPZ, Shri B N Makhija, Former DC, SEEPZ, Shri Premkumar, Former DC, SEEPZ, Shri Sriram Naik, Joint CEO, MIDC are on the dais



Releasing of SEEPZ Brochure during the Event

units within SEEPZ-SEZ, doing a significant quantum of export business for gems & jewellery and other merchandise. Overseas, the jewellery manufactured here is well-known as SEEPZ jewellery, indicating its high brand recognition and value. SEEPZ-SEZ alone accounts for a quarter of the jewellery imports of the USA, the world's largest consumer of jewellery. It contributes to 53% of India's studded jewellery export as well as 31% of total jewellery export from the country.

Notably, SEEPZ-SEZ was one of the few institutions to have performed remarkably well during the pandemic year of 2021-2022 – with 309 units it recorded exports over 61% higher than previous year. At present, 37 operational SEZs across the State of Maharashtra, Goa, Dadra & Nagar Haveli and Daman & Diu come

under the jurisdiction of the Zonal Development Commissioner, SEEPZ-SEZ, hosting Make In India companies like Serum Institute of India. Parts manufacturers of the ventilators that helped save lives during the pandemic as well as PCBs for ISRO Chandrayan Mission also have their units in the Zone.

How Indian Pharma can actually save the World?

Ajay Srivastava

More than 15 blockbuster drugs with annual global sales exceeding US\$ 100 billion will go off-patent by 2030. Is India ready to make and export these? India urgently needs to strengthen its pharma value chain to take advantage of such opportunities. Here is the core issue. Medicine making is an 8-10 stage process. We are not competitive in making most medicines from the initial or intermediate stages. We import penultimate stage products to make medicines. The example of the fever-reducing tablet Crocin will make this clear. The base material for making Crocin is crude petroleum oil. Petroleum refining produces Naphtha, which leads to new chemicals, Benzene and Propylene. These two chemicals produce Phenol, the Key Starting Material

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Petroleum refining produces Naphtha, which leads to new chemicals, Benzene and Propylene. These two chemicals produce Phenol, the Key Starting Material

(KSM) for making Crocin. Phenol produces Paracetamol, the chemical that reduces fever. We call it Active Pharma Ingredient (API) or bulk drug. Mix Paracetamol with some binder, and Crocin is ready. Keywords here are APIs and KSMs, which are penultimate products. For the making of most medicines, we import APIs and KSM. Worse, we buy about 70% of such inputs from a single supplier-China. Few large imports are Paracetamol, Ampicillin, Amoxicillin, Ibuprofen etc. For specific APIs, over 90% of imports come from China. In cases where we make APIs or KSMs, we use intermediates imported from China. India last year exported US\$ 28 billion worth of medicines and related products to over 200 countries. So pharma sector is growing well, and using imported inputs for enhancing competitiveness is good for business. But critical dependence on a single supplier may lead to a hostage situation. We have seen how Covid led shut down of a few Chinese pharma units last year, created panic world over. China moving up the value chain, may also decide to restrict the supply of inputs. Old-timers find critical dependence on imported inputs strange. India was nearly self-sufficient in pharma inputs in the 1990s. History helps us track the changes. Two Government actions in the 1970s set Indian pharma on a growth path. Indian Patent act 1970, by not recognizing product patents, allowed Indian firms to use their reverse engineering skills to make generic versions of medicines. And drug policy in 2. 1975 nudged Indian firms to make bulk drugs from the primary stages. The rules also forced them to spend on R&D to innovate new molecules and cut costs. Hindustan antibiotics and IDPL, founded in the 1960s, started making penicillin, streptomycin, 6-APA, etc., in a big way. By 1990 local

firms were making 70% of the API and intermediates needed in the country. India became largest maker of Antibiotics, Anti-Malarial, Anti TB drugs, Paracetamol etc. Rules changed in 1995 with the founding of WTO, and patent protection becoming its integral part. India agreed to recognize both process and product patents as WTO member. Many feared stresses for the Indian industry which thrived on not recognizing product patents. But, around the same time, many drugs became free from patent protection in the USA. Indian pharma lapped up this opportunity to make reverse engineered generic versions of these drugs. Contrary to apprehensions, this was a period of heady growth. But Indian firms faced a dilemma. Making API was a significant investment and low returns (10-15%) game. While making medicines from the APIs generated

40-60% value addition. Most firms opted for imported APIs to maximize profits. However, firms continued to make APIs for complex molecules or where buyers demanded locally made APIs. API units produce large quantities of hazardous waste. Germany, Italy, Netherland, and the USA, which made APIs in the 1990s, gradually outsourced production. So the environment was also a factor in shifting the API industry to China. By the turn of the century, China, with large capacity plants, investment in R&D, and subsidies, started selling intermediates and APIs at discounted prices. This accelerated closure of API units across the world. By 2005, India stopped making fermentation-based APIs. India also stopped producing many chemical-based APIs, raw materials, intermediates, solvents, and catalysts.

Action Plan

We must go deeper into the pharma value chain for key frontlines drugs for global and domestic health security. For this we must make inputs and intermediates for chemical and fermentation-based APIs. This means going below the API and KSM stages. A four-step plan will help: First, Create 50 large pharma parks with pre-approved environment clearances. The parks must incentivize the setting of plants with continuous processing, making of 3 solvents, reagents, and fluorinating agents. Install common centers for solvent recovery, distillation,

and effluent treatment. Two, invest in creating global standards strain for developing fermentation-based APIs. Poor quality strains were one of the reasons for the closure of most fermentation-based units in the past 20 years. Consider reviving PSUs for making fermentation-based products. These are capital intensive and need a longer incubation period. Three, mandate similar standards for medicines for the domestic market and exports.

Success Story – An Export Oriented Unit from SEEPZ

ASB

ASB History :

ASB International Pvt. Ltd., a wholly owned subsidiary of Nissei ASB Machine Co. Ltd., Japan. Started in India as an **Export Oriented Unit** to manufacture Injection Stretch Blow Molding (ISBM) Machines, Molds, Ancillaries & Designs too. The factory is set up at Ambernath (East), Dist. Thane in Maharashtra State. Being a Japanese organisation producing a world class quality product is in the DNA of Organisation.

The project is formally inaugurated in November 1999 and commercial production started from January 2000 with only 200 employees on board. A state of Art world class manufacturing facility is set up to manufacture PET processing system for world-wide requirement. The initial set was to produce the quality components and send back to Japan to support the Head quarter to produce Machines there. Very soon in a span of one

and a half year we graduated ourselves from component stage to building a complete Machine with the Japanese quality.

The very 1st year ASB unit hit the turnover of ₹262 Million only with the gradual year on year growth in double digit (%) in revenue turnover and employee strength.

To have a proper monitoring of Product line of Machines & Molds new Production Unit (**Plant II**) dedicated to enhancing the Mold Production was started in January 2013. To excel in the production capacity additional new Machine Production Unit (**Plant III**) - started in January 2018 to cater to the growing demand from market and customers.

The overall Current Investments into India upto 2022 is ₹10,441.85 Million and a Revenue turnover upto financial year 2021-2022 is **₹ 8,233.43** Million.

Employment strength as on financial year 2021-2022 is **1667 Nos.**

Core Competence range from ASB is.....

ASB has multiple manufacturing units in Ambarnath, Maharashtra, India as well at Japan too. We have 19 Sales, Servicing & Marketing subsidiaries strategically located

covering the Global presence. This gives an edge over others in the International market to have World-wide Sales & Marketing. Currently having sales in more than 130 countries and counting.....

ASB Team is busy in product designing right from Conceptualisation of Product (i.e. Bottles Design) and Developments of new designs to build the Molds to suit the requirement of Market especially for Pharma and Cosmetic industry.

Ever changing market taste and demands of our International customers HQ Team is devoting time in developing new Designs & Developments which fetch them more than 180 Patents across Globe.

The team's endeavour of meeting the growing demand from market with the support of State of Art world class Manufacturing & supply of Molds, Machines & Systems helped ASB to gain the leadership position in the market.

Thru the above mentioned Subsidiaries we render World-wide service support and continue with our business relationship with the satisfied Customers... Ever and ever and ever.



MEPZ

ACTIVITIES DONE DURING APRIL 2022 TO MAY 2022 IN MEPZ SEZ

1. Foundation Stone Laying Ceremony – Cheyyar SEZ Developers Pvt. Ltd - Third Division at Tindivanam – April 5th 2022.

Cheyyar SEZ Developers – Feng Tay Group Developed their third project at Pelapakkam village, Tindivanam – Hon'ble Chief Minister of Tamilnadu Mr. M.K. Stalin was laid Foundation Stone. Photos are attached herewith.



2. MEPZ SEZ Export Excellence Award – Monday 25th April, 2022 - Hon'ble Vice President Presents Export Excellence Awards.

Development Commissioner MEPZ SEZ organized the Export Excellence Awards for the year 2019-20 to the units under the jurisdiction of MEPZ SEZ on Monday, April, 2022.

Hon'ble Vice President of India, Shri M. Venkaiah Naidu participated as Chief Guest and presented the Export Excellence Awards to the EOUs, SEZ units and SEZ developers, at C.T.S. auditorium, MEPZ-SEZ, Tambaram, Chennai. Smt. Anupriya Patel, Hon'ble Minister of State for Commerce & Industry, Govt. of India was the Guest of Honour. On this occasion, Shri KKSSR Ramachandran, Hon'ble Minister of Revenue & Disaster Management, Government of Tamil Nadu, Dr. M.K. Shanmuga Sundaram, I.A.S. Development Commissioner of MEPZ SEZ, Shri Alex Paul Menon, I.A.S Joint Development Commissioner, Shri S. Anand, Regional Chairman of EPCES were present.

Dr. Shanmuga Sundaram welcomed the dignitaries and delivered the introductory address and briefed about the EOU/SEZ scheme's progress and status in Tamil Nadu. Also briefed about Exports from MEPZ were increased even during pandemic period.

Hon'ble Vice President said, the Special Economic Zones are the ideal platforms for promoting the concepts of 'Make in India', 'Local Goes

Global' and 'Ease of Doing Business.' He noted that the country's merchandise exports reached a record figure of 418 billion dollars last financial year. He added that the services exports were about 250 billion dollars, terming it as a remarkable achievement even in the backdrop of Covid pandemic. He also praised the industrial engineering ecosystem in Tamil Nadu. He further stated that MEPZ Special Economic Zone has been pioneering industrial growth, promoting exports, investments and employment generation in Tamil Nadu.

Also stated that MEPZ SEZ has recorded an export growth of 14% in the year 2021-22, with an Export of ₹ 1,32,803 Crore despite the problems caused by the pandemic. He assured that the Union Government and the Tamil Nadu Government will address various challenges being faced by the exporters such as the shortage of containers at Ports, congestion in accessing Ports and low availability of Warehousing and Cold Storage facilities.

Hon'ble Vice President congratulated all the Awardees for their hard work and remarkable achievement and wishes them success in their future endeavour.

In her address, Union minister of state for commerce and industry Smt. Anupriya Patel urged the exporters to utilise the Free Trade Agreement between India and UAE as well as with Australia. There is tremendous scope in the global supply chain, she added.

Joint Development Commissioner Shri Alex Paul Menon given the vote of thanks.





3. FTA Outreach Programme in Chennai to Promote UAE & Australia FTAs - May 10, 2022 at ITC Grand Chola, Guindy.

Department of Commerce, Ministry of Commerce and Industry Government of India advising the Leather Council to organize the Outreach Programme on Free Trade Agreements with UAE and Australia in Chennai in association with all other EPCS and Commodity Boards. Accordingly, the event was scheduled at Hotel ITC Grand Chola, Guindy, Chennai on May 10, 2022. Smt. Nirmla Sitharaman, Hon'ble Union Minister of Finance,

Dr. L. Murugan, Hon'ble Minister of State for Fisheries, Animal Husbandry and Dairying and Ministry of Information and Broadcasting and Smt. Anupriya Patel, Hon'ble Minister of State for Commerce & Industry were attended the said Outreach Programme. EPCES, MEPZ SEZ was also participated in the event along with other EPCs and Commodity Boards.





4. Webinar – Important Areas to Focus on Forex Management Saturday, 21st May, 2022 – 11.00 am – 1.00 pm

Export Promotion Council for EOUs & SEZs (EPCES), MEPZ SEZ organised a webinar on 21st May, 2022 to provide EPCES members to understand four important areas to focus on forex management in association with “Myforexeye Fintech Pvt. Ltd”

Welcome address given by Shri. Anand S., Regional Chairman, EPCES, MEPZ SEZ.

Ritesh Victor, Co-Founder and Country Head at Myforexeye Fintech Pvt. Ltd. briefly addressed the following topics.

- Managing Forex Rates
- Forwards an Effective Tool

- Optimizing Interest Cost on Exports
- Forex/Treasury Performance Evaluation

More than 75 members participated in the webinar. The program was highly beneficial, and the Members are appreciated the efforts taken by EPCES.

The vote of thanks given by Shri C. Manoharan, Regional Vice-Chairman, EPCES, MEPZ SEZ.



5. MEPZ SEZ Export Excellence Awards – Monday 23rd May, 2022 - Hon'ble Governor of Telangana & Lt. Governor of Puducherry Presents Export Excellence Awards

DC, MEPZ Special Economic Zone, Govt of India organised a grand event for the presentation of 'Export Excellence Awards for the year 2018-19 on 23rd May 2022 at CTS Auditorium, MEPZ SEZ Tambaram, Chennai.

Dr. TAMILISAI Soundararajan, Hon'ble Governor of Telangana & Lt. Governor of Puducherry was the Chief Guest.

Dr. Malini V Shankar, IAS (Retd.), Vice-Chancellor of IMU & Ex-Joint Development Commissioner of MEPZ, Tambaram was the Guest of Honour of the event.

Shri Alex Paul Menon, Joint Development Commissioner, MEPZ SEZ, Shri S. Anand, Regional Chairman, EPCES, MEPZ SEZ, Shri Sajid Kazmi, President, MEPZ Manufacturers Association were present.

Dr. M.K. Shanmuga Sundaram, IAS, Development Commissioner welcomed the dignitaries and delivered the introductory address. Hon'ble Governor Smt. TAMILISAI Soundararajan congratulated all the awardees for their achievement and wishes them success.



7. Road Show on Export Promotion through Special Economic Zones in Tamil Nadu - Tuesday, 14 June 2022 - 3.00 pm and 6.00 pm at Hotel Taj Club House, Mount Road, Chennai.

Road Show on Export Promotion through Special Economic Zones (SEZ) in Tamil Nadu organized by DC, MEPZ in association with EPCES, MEPZ SEZ, SIPCOT & FICCI on 14th June at Chennai.

Dr. Shanmuga Sundaram, IAS, DC, MEPZ SEZ, Shri Alex Paul Menon, IAS, JDC, MEPZ SEZ, Shri Anand S, Regional Chairman, EPCES, MEPZ SEZ, Shri Sunil Rallan were participated in the event. Welcome address given by Dr. GSK Velu, Chairman, FICCI. Shri Alex Paul Menon, IAS, JDC, MEPZ briefed about India's Free Trade Agreements with UAE & Australia. Shri Anand S, Regional Chairman, EPCES, MEPZ briefed about New Initiatives taken by EPCES to the exporters. Shri Sunil Rallan, CMD, J. Matdee FTWZ

briefed about an overview of New SEZ Law. **Smt. Pooja Kulkarni IAS**, MD & CEO (GUIDANCE), Government of Tamil Nadu briefed about Single Window Clearance – The New Norm of Tamil Nadu. Dr. M.K. Shanmuga Sundaram, IAS, DC, MEPZ given keynote address regarding SEZs & EOUs. Shri T.K. Ramachandran IAS, Chairman, Tuticorin Port Trust addressed on Trade Facilitation through export through seaport. Shri S. Krishnan IAS, Addl. Chief Secretary, Industries Department, Government of Tamil Nadu briefed about assistance given by the State Government to the exporters. Shri Irshad Mecca, MD Farida Group given the concluding remarks.



8. International Yoga Day – 21st June 2022

MEPZ SEZ organised yoga day celebrations at MEPZ conference hall on account of 8th INTERNATIONAL YOGA DAY. All participated in the event.



VSEZ

Meeting with SEZ Developer & SEZ Units



Shri. B.V.R. Subrahmanyam IAS, Secretary, Ministry of Commerce & Industry, Govt. of India chaired the Stakeholders meeting organized by VSEZ at Conference Hall on 09.05.2022. SEZ Developers /SEZs Unit Heads from various sectors viz, Engineering, Food and Agri sector, Chemicals, Pharma, IT/ITES, Warehousing, Trading, Gems and Jewellery attended the meeting.

Shri C.N. Rao, CEO, M/s. Divyasree NSL SEZ represented IT/ITES Developer had taken up the issue

relating to Work from Home concept. He informed that most of the IT units have more than one unit in the SEZs. Due to the work from home concept, the units who are having number of units are resorting to opting to exit from SEZ Scheme by keeping a single unit in SEZ. Such exit is resulting in huge vacant spaces in the SEZs. As a result the Developers are facing severe financial burden in meeting the overheads and periodical payments to the financial institutions. On behalf of the Developers he has requested to provide a solution to the unforeseen problem and to provide relief to the Developers.

Secondly, on behalf of the SEZs in Telangana he had requested to post a Development Commissioner or a Jt. Development Commissioner in Telangana. Coming to the other issues, he requested to incorporate the extension of Income Tax Benefit in the proposed amendment of SEZ Act.

Mr. Varma, COO, M/s. Hobel Bellows Co, represented the units in Andhra Pradesh, he had informed that the industries in Andhra Pradesh are facing regular power cuts, in addition to the power cuts the Govt. of Andhra Pradesh had also declared power holiday for the Industries. This had resulted in stoppage of production and as a result the units are not in a position to meet the deadlines and to face penal clauses. This untimely power cuts and power holidays left the units in severe financial burden as they are forced to incur additional expenditure in procurement of fuel (HSD) for DG to augment the power crisis. He urged the Authorities to take up the issue with the Govt. of Andhra Pradesh to exempt the SEZs & EOUs in Andhra Pradesh from regular power cuts and Power Holiday.

Responding to the issues raised by the Developers, SEZ units. Secretary, Commerce informed that all the issues were noted and informed that the Department will look into to resolve the issues. During the discussions, Secretary, Commerce has sought the suggestions /inputs from the SEZ Developer and SEZ Units for the proposed amendment of the SEZ Act.



Planting of Sapling at VSEZ by Shri B.V.Subrahmanyam, IAS, Secretary, Commerce

Shri B.V.R. Subrahmanyam Secretary, IAS Commerce Meeting with SEZ Developers & SEZ Units at VSEZ on 09.05.2022

CSEZ



Directorate General of Taxpayer Services, CBIC

Chennai & Bengaluru Zonal Units
In Association with CAAR, Mumbai



Ernst & Young LLP



Federation of Freight Forwarders' Associations in India



EPCES-CSEZ, BANGALORE
Ministry of Commerce & Industry
Govt. of India



Date: 27th April 2022
Time: 03:00 PM Onwards
Platform: WebEx

Invite you for a webinar on

Role & Functions of CUSTOMS AUTHORITY FOR ADVANCE RULINGS (CAAR)

Best Practices and Case Studies



Scan QR Code for link

Inaugural Address



Smt. Ranjana Jha, IRS
Pr. Chief Commissioner of CGST & Customs, Bengaluru

Panellists



Shri. R. Manohar, IRS
Additional Director General DGTS, Chennai & Bengaluru



Shri. Y.G. Parande, IRS
Member (Retd.) CBIC
Sr. Advisor Indirect Tax, Deloitte India



Shri. Sriram Balakrishnan R
Partner, Ernst & Young LLP
Chennai



Ms. Jayashree Parthasarathy
Partner, Ernst & Young LLP
Bengaluru



Shri. A.V. Vijayakumar
Immediate Past Chairman
FFFAI

The session is being hosted in WebEx and participants can login from 02:30 PM onwards. The link for joining the session is as below:-
<https://dgts-cbic-bengaluru.webex.com/dgts-cbic-bengaluru/j.php?MTID=mecea155a2724c8ed14db9d9be036c4423>

Customs Authority for Advance Rulings



Shri. Manas Ranjan Mohanty, IRS
Customs Authority for Advance Rulings, Mumbai



Shri. Vijay Singh Chauhan, IRS
Customs Authority for Advance Rulings, New Delhi

Topic Presentation By

Ms. Vinitha Sekhar, IRS
Secretary, CAAR
Mumbai

Shri. Ankush Salame, IRS
Dy. Commissioner, CAAR
Mumbai

Webinar on Role and Functions of Customs Authority for Advance Rulings (CAAR) is Brought out as Detailed below for kind Information:-

The webinar was held on Role and functions of Customs Authority for Advance Rulings (CAAR) on 27th April, 2022 presented by Director General Taxpayers Services-CBIC, Chennai & Bangalore associating EPCES CSEZ Bangalore and Cochin.

The Inaugural address was made by Smt Ranjana Jha, Principal Chief Commissioner of Customs, Bangalore.

The webinar had Panelist Sri Manhor IRS Additional Director General of Director General Taxpayers Services, Bangalore, Sri Y G Parande, IRS (Retd), Sri Sriram Balakrishna R, Partner of E & Y, Ms Jayashree Parthasarthy, Partner of E & Y & Sri A V Vijaya Kumar, Ex-President of FFFAI.

Also the Authority's for Customs Advance Rulings Sri Mahanasa Ranjan Mohanty, IRS Authority of Mumbai CAAR & Sri Vijaya Singh Chawan, IRS, Authority of New Delhi CAAR had made their presentation in the webinar.

The Topics on CAAR were presented by Ms Vinitha Shekar, IRS, Secretary, CAAR Mumbai & Sri Ankush Salme, IRS, Dy. Commissioner, CAAR Mumbai.

It was updated by the learned speakers that the concept of advance ruling is discussed and finalized in

Kyoto Convention of WCO on the Simplification and Harmonization of Customs procedures and was adopted in June, 1999 as a blueprint for modern and efficient Customs procedures. Article 3 of WTO Agreement on Trade Facilitation; make it obligatory for the each member countries to have a mechanism of Advance Ruling. The Article 3 of Agreement on Trade Facilitation reads as under ARTICLE 3: ADVANCE RULINGS Each Member shall issue an advance ruling in a reasonable, time bound manner to an applicant that has submitted a written request containing all necessary information.

The facility for advance rulings in customs matters is an important trade facilitation initiative of the government, and a commitment under the WTO's Trade Facilitation Agreement (I) to minimizing disputes (II) To imparting certainty in relevant taxation matters (III) To attract Foreign Direct Investment (FDI) (IV) To pronounce ruling expeditiously in transparent and inexpensive manner.

It was as explained that the Advance rulings enable foreign investors to know in advance into certainty their Customs duty liability on them proposed imports into India and proposed exports from India & the Relevant provisions for obtaining an advance ruling are contained in Chapter V-B in the Customs Act, 1962 and notifications issued there under.

It was also explained that the the scheme of Advance Rulings allows a non-resident investor setting up a joint venture in India in collaboration with a non-resident or a resident; or a resident setting up a joint venture in India in collaboration with a non-resident; or a wholly owned subsidiary Indian company, of which the holding company is a foreign company; or a joint venture in India; or a resident falling within any such class or category of persons as notified by the Government of India in this behalf, to seek in advance, a ruling from the Authority for Advance Rulings. The rulings can be sought in respect of - Classification of goods under the Customs Tariff Act, 1975; determination of origin of the goods

in terms of the rules notified under the Customs Tariff Act, 1975 and matters relating thereto

The provisions of Advance Rulings in the Customs Act, 1962 Chapter V-B are elaborately brought under Section 28E up to 28M & vide Ministry of Finance

Dept. of Revenue, Govt. of Revenue vide Notification No. 55/2002 - Customs (N.T.) New Delhi, the 23rd August, 2002.

The statutory provisions relating to advance rulings in matters relating to Customs are contained in Chapter V-B of the Customs Act, 1962. The said chapter V-B substantially amended vide Finance Act, 2018 and also inserted a new section 28EA relating to 'Customs Authority for Advance Rulings', which empowers the Central Board of Indirect Taxes and Customs (CBIC) to appoint officers of the rank of Principal Commissioner of Customs or Commissioner of Customs as Customs Authority for Advance Rulings. Procedure to be followed by the Customs Authority for Advance Rulings Customs Authority for Advance Rulings shall follow procedure prescribed under Customs Authority for Advance Rulings Regulations, 2021 notified vide Notification No. 01/2021-Customs (N.T.) dated 04.01.2021. This notification has superseded the earlier Authority for Advance Rulings (Customs, Central Excise and Service Tax) Procedure Regulations, 2005. Definition of advance ruling under Indian Customs Act.

It was also explained that Section 28EA inserted vide Finance Act 2018 empower CBIC to appoint Customs Authority for Advance Rulings The CBIC may by notification, appoint an officer of the rank of Principal Commissioner or Commissioner of Customs to function as a Customs Authority for Advance Rulings. The offices of the Authority may be established in New Delhi and at such other places, as the CBIC may deem fit. Creation of post of Customs Authority for Advance Rulings CBIC vide notification No.102/2020 - Customs (N.T.) dated 23.10.2020 has notified two posts of Principal Commissioner/ Commissioner (Customs Authority for Advance Rulings) New Delhi and Mumbai.

Accordingly, the Customs Authority for Advance Rulings CBIC vide Office Order No. 152/2020 dated 22.12.2020 has appointed following officers as Customs Authority for Advance Rulings. Mumbai & New Delhi.

Shri Manas Ranjan Mohanty - Customs Authority for Advance Rulings, Mumbai and Shri Vijay Singh Chauhan

- Customs Authority for Advance Rulings, New Delhi. Who were also present and spoke in the webinar.

Contact Detail and address of Customs Authority for Advance Rulings CBIC vide Office Order No. 01/2020 (Legal) dated 09.02.2020, as amended vide Office Order No. 03/2021 (Legal) dated 12.04.2021 has notified the contact details of the two authorities in terms of regulation 6(3) of the Customs Authority for Advance Rulings Regulations, 2021, the details are as below:-

- 1) Customs Authority for Advance Rulings, (CAAR Mumbai) New Custom House, Ballard Estate, Mumbai-400 001. Phone 022-22757750/51 E-mail: cus-advrulings.mum@gov.in
- 2) Customs Authority for Advance Rulings, (CAAR Delhi), 5th Floor, NDMC Building, Yashwant Place, Satya Marg, Chanakyapuri, New Delhi-110021. Phone 011-26117895 E-mail: cus-advrulings.del@gov.in

Jurisdiction of Customs Authority for Advance Rulings of the two authorities shall be determined in

terms of the address provided by the applicant while making the application, as detailed below :-

- 1) Customs Authority for Advance Rulings Mumbai Customs Authority for Advance Rulings are Andhra Pradesh, Telangana, Karnataka, Kerala, Lakshadweep, Puducherry, Tamilnadu, Gujarat, Dadra and Nagar Haveli, Daman and Diu, Maharashtra, Goa, Madhya Pradesh, Chhattisgarh.
- 2) Customs Authority for Advance Rulings New Delhi for Advance Rulings the jurisdiction are Jammu & Kashmir, Himachal Pradesh, Punjab, Chandigarh, Uttar Pradesh, Delhi, Haryana, Uttarakhand, Bihar, Jharkhand, West Bengal, Andaman and Nicobar Islands, Sikkim, Odisha, Rajasthan, Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Ladakh.

It was also informed that the applicants providing an address other than that within the territory of India will have New Delhi jurisdiction.

ICICI Bank | Export Promotion Council for EDUs & SEZs
107 OF 107 SEZs IN INDIA, 100% EXEMPTED FROM PAYMENT OF TAXES
CSEZ-Bangalore & Cochin

WEBINAR
FEMA & Regulatory Guidelines for Exporters

Date
Monday, 23rd May, 2022
Time
3.00 P.M. to 4.30 P.M. (IST)

The session will cover

- RBI Guidelines Relating to Export Payments, Export Bills
- Facilities Related to Export payments / Bills
- Understanding EDPMS

SPEAKERS

K K Pillai
Regional Chairman
EPCES, Bangalore & Cochin SEZ

Gaurang Vasavada
International Consultant
on Trade Exports

Kishore Mamidala
Subject Matter Expert –
Export Trade,
ICICI Bank Ltd

*T&C Apply

Webinar on Foreign Exchange Management Act (FEMA) Regulatory Guidelines for Exporters. EPCES CSEZ, Bangalore & Cochin and in association with ICICI Bank had presented a Webinar on Foreign Exchange Management Act (FEMA) Regulatory Guidelines for Exporters covering the RBI Guidelines relating to Export Payments, Export Bills, Facilities related to Export payments/Bills, Understanding of Export Data Processing and Monitoring systems (EDPMS), etc., on 23rd May, 2022.

The speakers for the webinar were Sri K K Pillai, RGC Chairman (Officiating), EPCES-CSEZ, Cochin, Sri Gaurang Vasudeva, International consultant for Trade Exports & Sri Kishore Mamidala, Subject Matter Expert, Export Trade, ICICI Bank Ltd, Mumbai & Sri C U Poovaiah, RD, EPCES, Bangalore, the topic presented by Sri Mandar Dhargalkar, Product Manager, Export and Import Division, ICICI Bank Ltd, Mumbai.

Important Developments in Direct Taxes

CBDT Issues Guidelines Regarding TDS¹¹⁵ on Benefits or Perquisites

Finance Act, 2022 introduced a new TDS provision¹¹⁶ which requires any person responsible for providing to a resident, any benefits or perquisites arising from business or the exercise of a profession exceeding INR 20,000 during a FY, to deduct tax at source at the rate of 10%. These provisions are applicable from 1 July, 2022.

CBDT has issued the following guidelines¹¹⁷ for removing difficulties in respect of these provisions:

- Tax is required to be deducted by benefit/perquisite provider irrespective of whether the amount is taxable in the hands of the recipient or the section under which it is taxed.
- Tax is required to be deducted, whether the benefit/perquisite is in cash or in kind or partly in cash and partly in kind.
- These provisions would apply irrespective of the nature of benefit/perquisite (even if the benefit/perquisite is a capital asset).
- TDS is applicable even if the benefit/perquisite is used by the owner/director/employee of the recipient entity or their relatives.
- Tax is not required to be deducted on sales discount, cash discount, rebates provided to customers. This relaxation would not be extended to other benefits provided by the seller in connection with the sale¹¹⁸
- These provisions are not applicable on benefit/perquisite provided to a government entity not carrying on business or profession.

- In case of benefit/perquisite provided to certain professionals (for example, doctors) associated with an entity (for example, hospital), the original benefit / perquisite provider may:

- Deduct tax on such benefits/perquisites provided to the professional (employee) in the name of the entity, the entity would in turn deduct tax on benefits/perquisites provided to the employee¹¹⁹;
- In case the benefit is provided to the professional, who is associated as a consultant with an entity, the original benefits/perquisites provider has an option to directly deduct taxes in the name of the professional (consultant).

For the purpose of computing TDS, the fair market value¹²⁰ of the benefit/perquisite is to be considered. While computing the value of benefit/perquisite, the amount of GST is to be excluded.

- In case the products¹²¹ received by social media influencers are retained, then these provisions would apply.
- Expenses for dealer conference would not be considered as benefit/perquisite, where the prime objective of the conference is to educate the dealers about the products of the company. However, the objective of such conference should not be to provide incentives for achieving particular targets. The following cases would be covered within the ambit of withholding tax provisions:
 - Leisure trips/leisure component incidental to such conferences.
 - Accompaniment of family members in such conferences.

¹¹⁵ Tax deducted at source

¹¹⁶ Section 194R of the Income-tax Act, 1961 (the Act)

¹¹⁷ Circular No. 12 of 2022 dated 16 June 2022

¹¹⁸ eg. free samples, event tickets, car, television, gold coin, etc.

¹¹⁹ Under section 192 of the Act

¹²⁰ However, where the provider has purchased the benefit/perquisite, the purchase price will be the value and where the provider has manufactured the benefit/perquisite, the sale price will be the value. ie. the case falls under section 149(1)(a) of the Act

¹²¹ Such as car, mobile, outfit, etc.

- Expenditure incurred for extended stay (pre or post conference).
- In case where the benefit is in kind/partly in kind and the cash is not sufficient to meet the TDS requirement, tax on benefit/perquisite can be paid by the recipient as the advance tax. Alternatively, the provider of benefit/perquisite should deposit the tax.
- For the purposes of calculation of threshold of INR 20,000 for FY 2022-23, the value of benefit/perquisite paid up to 30 June 2022 will also be considered.
- Expenses incurred by service provider, which are reimbursed, will not be considered as benefit/perquisite, if invoice is in the name of service recipient.

CBDT Notifies the Faceless Penalty (Amendment) Scheme, 2022

The CBDT has notified¹²² the Faceless Penalty (Amendment) Scheme, 2022 amending the Faceless Penalty Scheme, 2021. The key amendments are as follows:

- RFPC¹²³ has been omitted.
- Penalty imposition proposal will be issued instead of a draft order.
- Provisions for rectification of mistake apparent from record have been deleted.
- Requirement for authentication of records has been extended to penalty unit, penalty review unit, technical unit and verification unit, as the case may be.

- Personal hearing to be allowed through NFPC.¹²⁴
- The manner in which penalty order needs to be passed, has been prescribed.

CBDT has also amended the procedure for imposing penalty¹²⁵ in accordance with the amended scheme.

CBDT Notifies the Updated Guidance on MAP¹²⁶

CBDT had issued guidance dated 7 August 2020 on MAP for the benefit of taxpayers, tax practitioners, tax authorities and the CAs¹²⁷ of India and the treaty partners. CBDT has now issued an updated guidance¹²⁸ on MAP, which deals with interplay between MAP and VsV¹²⁹ scheme, the disclosure requirements by applicants and updates to be provided to CAs on all material changes in the information or documentation.

CBDT Notifies Procedure for Filing an Appeal against BAR¹³⁰ Ruling

As per the provisions of the Act¹³¹, appeal can be filed before the HC against the order passed by BAR.

In this regard, the CBDT has notified¹³² rules¹³³ prescribing that the form and manner of filing appeal before the HC by the taxpayer or the tax officer, is required to be as per the applicable procedure laid down by the jurisdictional HC.

¹²² Notification No. 54 of 2022 dated 27 May 2022

¹²³ Regional Faceless Penalty Centre

¹²⁴ National Faceless Penalty Centre

¹²⁵ Notification No. 55 of 2022 dated 27 May 2022

¹²⁶ Mutual Agreement Procedure

¹²⁷ Competent authorities

¹²⁸ F. No. 500/09/2016-APA-I dated 10 June 2022

¹²⁹ Vivadse Vishwas scheme

¹³⁰ Board for Advance Ruling

¹³¹ Section 245W(1) of the Act

¹³² Notification No. 57 of 2022 dated 31 May 2022

¹³³ Rule 44FA of the Income-tax Rules, 1962

B. Key updates under the Customs/Foreign Trade Policy (FTP)/ Special Economic Zone (SEZ):

Directorate General of Foreign Trade (DGFT) extends the last date for filing annual returns under the Export Promotion Capital Goods (EPCG) scheme for FY 2022-23

The DGFT has notified¹⁸ amendment¹⁹ relating to EPCG in order to reduce compliance burden and enhance the ease of doing business.

The DGFT has extended the last date for filing annual returns for the FY 2022-23 under the EPCG scheme to **30 September, 2022**. Further, a late fee of INR 5,000 shall be applicable in case of delay in filing returns due from the FY 2022-23 onwards.

CBIC exempts the deposits in ECL under the Customs Act, 1962

As per section 51A of Customs Act, 1962, every assessee shall maintain ECL on the customs portal. Accordingly, any sum payable towards duty, interest, penalty or fee or any other sum payable under any law for time being in force shall be credited as a deposit in the ECL of taxpayer.

Earlier the CBIC had exempted following deposits from the provisions w.e.f. 1 June 2022²⁰:

- I. With respect to goods imported or exported in customs stations where customs automated system is not in place;

- II. With respect to accompanied baggage;
- III. Other than those used for making payment of –
 - a) any duty of customs, including cesses and surcharges levied as duties of Customs;
 - b) integrated tax;
 - c) GST Compensation Cess;
 - d) interest, penalty, fees or any other amount payable under the said Act, or the Customs Tariff Act, 1975.

Now, the CBIC has extended the above exemption from 1 June 2022 to **30 November, 2022**²¹.

Further, the CBIC has notified the exemption from deposits pertaining to all class of persons and all categories of goods under the Customs Act from 1 June 2022 up to **29 November, 2022**²².

Noida SEZ department issues notice regarding payment of customs duty on export of goods procured by SEZ units from Domestic Tariff Area (DTA)

The CBIC had earlier notified /imposed Customs duty on export of certain items w.e.f. 22 May 2022. Further, the Noida SEZ department has issued notice²³ regarding the payment of customs duty on export of goods procured by SEZ from units of DTA. Therefore, in order to assist the SEZ units in the procurement of the dutiable goods covered under Second Schedule to the Customs Tariff Act, 1975 following procedure may be adopted –

¹⁸ Public Notice No. 13/2015-2020 dated 9 June 2022

¹⁹ In Chapter 5 of Handbook of Procedures (2015-20)

²⁰ Notification No. 19/2022-Customs (N.T.) dated 30 March 2022

²¹ Notification No. 48/2022-Customs (N.T.) dated 31 May 2022

²² Notification No. 47/2022-Customs (N.T.) dated 31 May 2022

²³ Trade Notice No. 01/2022 dated 3 June 2022

- a) The unit may file the Bill of Export along with requisite documents and self-assessment of duty on SEZ portal.
- b) After processing of the Bill of Export by Assessing Officer, the duty liability shall be discharged.
- c) For entry of the goods inside the zone, the unit is required to present a copy of assessed Bill of Export along with proof of duty payment before the gate officer. The Bill of Export may be filed along with applicable duty paid in advance to avoid any delay in the entry of dutiable goods into the zone.

CBIC notifies extension in term of security and time period for furnishing mega power status certificate for availing exemption in imports

The importer of goods for mega power project is required to furnish security in the form of fixed deposit receipt or bank guarantee from any scheduled bank for amount equal to the Customs duty payable for availing exemption. The CBIC has now extended²⁴ the term for furnishing of the security from 126 months to 162 months.

In addition, the time period for furnishing the mega power status certificate has been extended from 120 months to 156 months from the date of importation to avail exemption. If the importer fails to furnish such certificate, the amount of security shall be appropriated towards the payment of Customs duty on imports.

CBIC has introduced changes in Authorised Dealer Code (AD Code) registration to facilitate trade

The CBIC has issued an advisory²⁵ introducing changes in the customs system in relation to AD Code registration

in exports. In response to the demands of trade, the CBIC has done away with the requirement of multiple AD Codes to be registered at every port.

Under the erstwhile process, AD Code was required to be registered at every port, where documents were filed which resulted in multiple AD codes associated with an Importer Exporter Code (IEC). However, as per the new changes, AD code with associated bank account will now be required to be registered in the system at only one port and thereafter, the AD code would be available at all Customs locations. Once an AD code is registered against an IEC at any port, the same can be used for all ports. There is no requirement of separate registration at other ports for filing documents.

Moreover, any change in a particular AD code would have to be done at the port chosen for making application for registration. As earlier, there can be multiple AD codes and associated accounts registered against an IEC.

Further, the details of port of registration for each registered AD code against an IEC would be available on the Indian Customs Electronic Gateway (ICEGATE) login ID under the bank account management option.

DGFT provides relaxation in provision of submission of Bill of Export for supplies made to SEZ units in case of Advance Authorisation(AA).

The requirement of submitting Bill of Export for supplies made to SEZ as prescribed under the FTP has been challenged by various exporters on the ground of non-availability of such provision in earlier FTP. Accordingly, in the most cases, the HCs have granted relief to the AA holders.

Therefore, the DGFT²⁶ has decided to provide certain relaxations in the provision for submission of Bill of Export as evidence of export obligation discharge made to units of SEZ under AA for all supplies made before 1 April 2015. Accordingly, the exporters can submit following corroborative evidence in lieu of Bill of Export:

²⁴ Notification No. 31/2022-Customs dated 7 June 2022

²⁵ Advisory No: 10/2022 dated 14 June 2022

²⁶ Policy Circular No. 39/2015-20 dated 7 June 2022

- a) ARE-I form duly attested by jurisdictional authorities of AA holder.
- b) Evidence of receipt of the supplies.
- c) Evidence of payment made by the SEZ unit.

DGFT amends guidelines for applicants to simplify the procedure and reduce the compliance burden for applying Export Obligation Discharge Certificate (EODC) in case of deemed exports

The DGFT has notified certain amendments²⁷ in the guidelines for applicants under ANF-4F with a view to simplify the procedure and reduce the compliance burden for applying EODC in case of deemed exports. The following relaxation has been provided:

- A duly signed copy of invoice or statement of invoices by the unit receiving material along with the certification in relation to item of supply, quantity, value and date of supply.
- In case of supply of non-excisable items or supply of excisable items to such units producing non-excisable products, a Project Authority Certificate (PAC) certifying quantity, value and date of supply would be acceptable in lieu of excise/GST certification.
- A copy of duly signed CT-3/ARE-3 in respect of supplies to EOU/EHTP/ STP/ BTP certifying the item of supply, its quantity, value and date of supply can be furnished in lieu of the excise/GST attested invoice or statement of invoices.
- A copy of the shipping bill with the name of domestic supplier as intermediate supplier endorsed on it

along with the file number/authorisation number of the ultimate exporter and the intermediate supplier in case of supply of the product by the Intermediate supplier to the port directly for export by the ultimate exporter.

Guidance from SEEPZ²⁸ in relation to Work from Home (WFH) facility

As per the earlier communication²⁹ issued by the Development Commissioner of SEEPZ SEZ, units/ developers were instructed to start work from office in a phased manner from 1 July, 2022.

However, after consideration of the representation received from trade association and individuals, the Development Commissioner has now issued a Communication³⁰ informing that the earlier Communication to be kept in abeyance till further instructions. Further, the Development Commissioner SEEPZ informed that the policy for WFH is under active consideration in Ministry of Commerce and Industry and likely to be issued very soon.

Guidance from MEPZ³¹ in relation to WFH facility

As per the circular³² issued by the Development Commissioner of MEPZ, the WFH facility has been further extended up to 31 December, 2022 or as per the directives of Department of Commerce, whichever is earlier. However, the Development Commissioner has suggested units to increase physical presence of their employees in the SEZ premises.

²⁶ Policy Circular No. 39/2015-20 dated 7 June 2022

²⁷ Public Notice No. 11/2015-20 dated 7 June 2022

²⁸ Santacruz Electronic Export Processing Zone

²⁹ SEEPZ-SEZ/Admin/GI/588//2020-21/Vol-II/04269 dated 22 March 2022

³⁰ SEEPZ-SEZ/Admin/GI/588//2020-21/Vol-II/09522 dated 15 June 2022

³¹ Madras Export Processing Zone

³² Circular dated 17 June 2022

³³ Press release dated 20 June 2022

Department of Telecommunications (DoT) launches design-led manufacturing (DLM) under Production Linked Incentive (PLI) scheme for telecom and networking products

The DoT had notified the PLI Scheme on 24 February 2021 wherein 31 companies were given approval on 14 October 2021. In order to build a strong ecosystem for 5G, the DoT has introduced DLM with additional incentives rates under the PLI scheme.

The DoT has decided³³ to extend the existing PLI Scheme by one year. The existing PLI beneficiaries will be given an option to choose FY 2021-22 or FY 2022-23 as the first year of incentive. The DoT has also approved addition of 11 new telecom and networking products to the existing list.

DLM is aimed to support efforts for designing telecom products and encourage research and development driven manufacturing in the country.

Key features:

- The PLI scheme for five years shall commence from 1 April, 2022.
- The scheme is open to both Micro, Small and Medium Enterprises (MSME) and non-MSME companies, including domestic and global companies.
- While shortlisting, priority would be given to the applications from design-led manufacturers.
- The applicant satisfying the minimum global revenue criteria would be eligible under the scheme.

- The company may decide to invest for single or multiple eligible products.
- The scheme stipulates a minimum investment threshold of INR 10 crore for MSME and INR 100 crore for non MSME applicants.
- Eligibility shall be subject to incremental sales of manufactured goods (covered under the scheme target segments) over the base year (FY2019-20).
- The application window for registration under the scheme shall be open for a period of 30 days starting from 21 June, 2022.

CG approves new guidelines of Central Sector Scheme promoting MSMEs in the north-eastern region (NER) and Sikkim

The CG has approved new guidelines³⁴ of Central Sector Scheme-Promotion of MSMEs in NER and Sikkim. The scheme is envisaged to provide financial support to enhance the productivity and competitiveness as well as capacity building of MSMEs in the NER and Sikkim. This scheme will be implemented during 15th Finance Commission Cycle (2021-22 to 2025-26). The scheme has following components:

1. Setting up of new and modernisation of existing mini technology centres: The scheme envisages financial assistance to the state governments (SG) for setting up of new and modernisation of existing mini technology centres, with the financial assistance of CG, which shall be 90%. The scheme prioritises projects creating common facilities to supplement manufacturing, testing, packaging, research and development, product and process innovations and training for natural resources, such as fruits, spices, agriculture, forestry, sericulture and bamboo, etc. available in NER and Sikkim. The projects having

³³ Press release dated 20 June 2022

³⁴ Ministry of Micro, Small & Medium Enterprises press release dated 2 June 2022

project cost more than INR 15 crore shall also be considered however maximum assistance shall be limited to INR 13.50 crore.

2. Development of new and existing industrial estates: As per the scheme, maximum financial assistance of 90% would be provided for development of new and existing industrial estates, flatted factory complexes.

The projects with total project cost more than INR 10-15 crore will also be considered but maximum assistance shall be limited to INR 9-13.50 crores as the case may be.

3. Development of tourism sector: This scheme covers projects for creation of common services such as kitchen, bakery, laundry and dry cleaning, refrigeration and cold storage, Information Technology (IT) infra, potable water, display centre for local products, centre for cultural activities, etc. in a cluster of home stays. In such cases, the financial assistance of CG will be 90% for projects with maximum assistance limited to INR 4.50 crore.

CBIC Notifies Various Recommendations of the 47th GST Council Meeting

The Goods and Service Tax (GST) Council in its 47th meeting made various recommendations regarding measures for trade facilitation, streamlining GST compliances, etc.

Pursuant to above, the Central Board of Indirect Taxes and Customs (CBIC) has issued various notifications on 5 July, 2022 for giving effect to these recommendations:

- The registered person having aggregate turnover up to 2 crores in the financial year (FY) 2021-22 shall be exempted from filing annual return for the said FY
- The due date of furnishing Form GST CMP-08 for the period April 2022 to June 2022 has been extended till 31 July, 2022
- The late fee for delay in filing Form GSTR-4 for FY 2021-22 shall stand waived till 28 July, 2022
- The suspension of registration due to non-filing of returns for the specified period shall be deemed to be

revoked upon furnishing of all pending returns if the registration has not already been cancelled by the proper officer

- The value of supply of duty credit scrips shall be excluded from the aggregate value of exempt supplies for the purpose of reversal of common credit
- Unified Payments Interface (UPI) and Immediate Payment Service (IMPS) added as an additional mode of deposit
- The registered person shall be allowed to transfer specified amount available in its electronic cash ledger (ECL) as Central GST or Integrated GST in the ECL of a distinct person (GST registration obtained basis same PAN), subject to fulfilment of specified conditions

*a government department, a local authority, Special Economic Zone unit, an insurer or a banking company or a financial institution, including a non-banking financial company (NBFC), supplier of goods transport agency services or passenger transportation service or services by way of admission to exhibition of cinematograph films in multiplex screens

- The specified taxpayers* having aggregate turnover exceeding INR 20 crores in any preceding FY from 2017-18 onwards, shall be required to provide declaration in the invoices issued by them. The declaration shall be added that though the aggregate turnover exceeds the notified turnover, however, the entity is not required to issue e-invoice.
- The documentary evidences to claim refund on account of export of electricity have been notified to facilitate the exporters.
- For the purpose of refund in case of zero-rated supply of goods without payment of tax, the value of goods exported out of India shall be taken as lesser of:
 - The Free on Board (FOB) value declared in the shipping bill or bill of export form; or
 - The value declared in the tax invoice or bill of supply.
- Form GSTR-3B has been amended to include reporting of supplies relating to e-commerce operator (ECO) and ITC.
- The formula for claiming refund on account of inverted duty structure has been amended to consider utilisation of input tax credit (ITC) on account of inputs as well as input services for payment of output tax on inverted rated supplies in the same ratio in which ITC has been availed.
- A new Rule 88B has been inserted w.e.f. 1 July, 2017 which prescribes the manner of calculating interest on delayed payment of tax.
- The following provisions have been notified w.e.f. 1 March, 2020:
 - The time limit for issuance of order for recovery of tax not paid or short paid or of ITC wrongly availed or utilised, in respect of FY 2017-18, is extended up to 30 September, 2023.
 - The period from 1 March 2020 to 28 February, 2022 shall be excluded for computation of the limitation period for issuance of orders for recovery of erroneous refunds and filing of refund applications.
- Rule 95A providing refund of taxes to the retail outlets established in departure area of an international airport beyond immigration counters, has been withdrawn retrospectively from 1 July, 2019.
- Rule 96 has been retrospectively amended from 1 July, 2017 that in case if there is any mismatch between the data furnished by the exporter in Shipping Bill and those furnished in GSTR-1, refund application shall be deemed to have been filed on such date when mismatch in respect of the said shipping bill is rectified by the exporter.
- In accordance with the changes in relevant provisions, various forms have been amended/ inserted.

Supreme Court Rules that Compliance with the Twin Preconditions to Opt-out from Tax Holiday for 100% Export Oriented Units is Mandatory

14 July 2022

Summary

The Supreme Court (SC), in a recent case¹, held that the condition to furnish a declaration for opting out of exemption under Section 10B of the Income-tax Act, 1961, before the tax officer within the due date of filing return of income is mandatory. It negated the contention that though the requirement of submission of declaration² is mandatory in nature, the time limit within which the declaration is to be filed is directory in nature.

Facts of the Case

- The taxpayer, engaged in the business of running a call centre and IT-enabled and Remote Processing Services, filed its return of income on 31 October, 2001 for assessment year (AY) 2001-02 declaring a loss, and claiming an exemption³ under the Income-tax Act, 1961 (Act).
- Taxpayer annexed a note to the original return stating that it is a 100% export-oriented unit (EOU) entitled to claim the exemption and hence no loss is being carried forward by it.
- On 24 October, 2002, the taxpayer filed a declaration with the tax officer for opting out of the exemption claimed earlier.
- Subsequently, a revised return of income was filed (on 23 December, 2002) without claiming the exemption³ and claiming carry forward losses (which were not claimed earlier).
- Tax officer denied the taxpayer's claim for opting out of the exemption and carry forward of losses instead, since the taxpayer did not furnish the declaration before the due date of filing of return of income i.e., 31 October, 2001.
- The Commissioner of Income Tax (Appeals) upheld the order of the tax officer. However, the Tribunal adjudicated in favour of the taxpayer.
- Revenue preferred an appeal against the Tribunal's order, however, the appeal was dismissed by the High Court.
- Aggrieved, the Revenue filed the present appeal before the SC.

Decision of the SC

The SC held that:

- In a taxing statute, the provisions are to be literally construed, more particularly in a case of exemption being sought by a taxpayer.
- A revised return⁴ can only substitute the original return⁵ but it cannot transform it Grant Thornton Tax Alert into loss return,⁶ to avail the benefit of carrying forward or set-off of any loss.
- A revised return can be filed only in case of an omission/mistake and not to withdraw a claim and to subsequently carry forward the claim or set off any loss. A revised return cannot be filed for taking a contrary stand or claiming exemptions not claimed earlier.

¹ Wipro Limited [2022] (140 taxmann.com 223) (SC)

² Under section 10B(8) of the Act

³ Under section 10B of the Act

⁴ Under section 139(5) of the Act

⁵ Under section 139(1) of the Act

⁶ Under section 139(3) of the Act

- The taxpayer must fulfill both the conditions for not availing the benefit of Section 10B of the Act:
 - (i) furnishing a declaration to the tax officer in writing that the provisions may not be applicable to the taxpayer; and
 - (ii) declaration must be furnished before the due date of filing the return of income⁷.
- The SC negated the taxpayer's submission that even without filing the revised return of income, the taxpayer could have submitted the declaration in writing to the tax officer during the assessment proceedings.
- It held that the argument of the taxpayer that it had a substantive statutory right⁸ to opt-out, which cannot be nullified by construing the purely procedural requirement of filing the declaration within the specified timeline, as being mandatory, also has no substance.
- Further, the SC remarked that subsequent withdrawal of the claim, i.e., after filing the return would falsify and nullify the accountant's report⁹ filed along with the original return of income.
- SC factually distinguished its own decision in the case of G.M. Knitting Industries⁹, on the ground that the present case pertains to an exemption provision that cannot be compared with a claim for additional depreciation.
- It further observed that Chapter III and Chapter VIA of the Act operate on a different footing and hence principles for claiming an exemption cannot be equated with that of claiming a deduction.
- The High Court¹⁰ had placed reliance on the Delhi High Court's decision in the case of Moser Baer¹¹ wherein it was held that for opting out of exemption under Section 10B of the Act,

submission of the declaration is mandatory, but the requirement of submission before the due date of the return is only directory and the declaration can be filed before the assessment was made.

The SC held that the withdrawal of the special leave petition against the decision of the Delhi High Court in the case of Moser Baer (supra) cannot be held against the revenue, since the same was withdrawn due to low tax effect.

- Accordingly, it held that the High Court has erred in holding that furnishing of declaration for not claiming exemption is mandatory while the time limit for furnishing it is directory.

Our comments

Taxpayers will need to keep track of how this decision and SC's observations regarding mistakes/ omissions vis-a-vis change in stance in the revised returns, filing of declaration before tax officer during assessment proceedings and significance of procedural compliance, are applied in similar situations in tax proceedings.

⁷ Under section 139(1) of the Act

⁸ Under section 10B(8) of the Act

⁹ Under section 10B(5) of the Act

¹⁰ GM Knitting Industries [2016] (71 taxmann.com 35) (SC)

¹¹ Wipro Limited [2021] (123 taxmann.com 393) (Karnataka)

¹² Moser Baer India Limited (ITA No. 950/2007) (Delhi)

IMPORTANT CHANGES MADE VIDE NOTIFICATIONS

Notification No.	Date	List of Changes
09/2022-CT	05.07.2022	Section 110 (c) of Finance Act, 2022 come into force on 05.07.2022. Cash balance available in electronic cash ledger can be transferred from one registered unit to another unit under the same PAN.
		Section 111 of Finance Act, 2022 come into force on 05.07.2022. Section 50(3) of the CGST Act amended retrospectively, with effect from 01.07.2017 to provide for levy of interest on ITC wrongly availed and utilized.
10/2022-CT	05.07.2022	Exemption from filing Annual return for a registered person whose annual turnover is below Rs. 2 crore from filing annual return for the year 2021-2022.
11/2022-CT	05-07-2022	Extension of time; for filing of quarterly Return by Composition tax payers for QE June 2022 to 31.07.2022.
12/2022-CT	05.07.2022	Waiver of late fee for composition tax payer for delay in filing Annual Return for 2021-22 during the period from 01.05.2022 to 28.07.2022..
13/2022-CT	05.07.2022	Extends the time limit for issuance of adjudication order under Section 73, for recovery of tax or ITC wrongly availed, for the financial year 2017-18, up to the 30th day of September, 2023.
		Excludes the period of 01.03.2020 to 28.02.2022 for computation of time limit under Section 73 for passing order in cases of recovery of erroneous refund.
		Excludes the period of 01.03.2020 to 28.02.2022 for computation of time limit for filing a refund application under Section 54 / Section 55.

IMPORTANT CHANGES MADE VIDE NOTIFICATIONS

Notification No.	Changes CGST Rules 2017	
14/2022-CT 05.07.2022	Rule 21A	Registration suspended under Rule 21A and not cancelled by the proper officer, such suspension shall be deemed to be revoked if the tax payer furnishes the pending returns.
	Rule 43	Duty Credit Scrips shall not be considered as exempted supply for the purpose of calculation of reversal of ITC under Rule 42 and 43.
	Rule 46	Exemption from e invoice - Declaration on invoices in cases where the aggregate turnover of a tax payer exceeds limit as specified under Rule 48(4).
	Rule 86	Procedure prescribed for Re-credit of amount in electronic credit ledger.
	Rule 87	Procedure for Transfer of cash balance from electronic cash ledger to the distinct person.
	Rule 88B	Manner of calculation of interest under Section 50 for delayed payment of GST.
	Rule 96	Procedure for IGST Refund for export of goods in cases of any mismatch between the shipping bills and outward supply statement under GSTR-1

EPCES Members Query - Indirect Tax

S. No.	Details of EPCES Member	Category	Query from Member	Response by Grant Thornton
1	Dipak Mistry (Manager) TARASAFE INTERNATIONAL PVT. LTD. 6,7,8,9 Apparel Park, GIDC, SEZ, Khokhra, Ahmedabad- 380008. INDIA Mobile: +91-9714857222	SEZ	Please refer enclosed notification regarding applicability of duty/GST on re import of exported goods. Will this notification apply in this case? Please advise. Please clarify that apart from below two conditions, it is also require that reimported goods must be exported with in specific time to get custom duty and GST exemption at the time of re import. Kindly give your reply in detail considering that unit will not export the reimported goods.	Please note that notification shared pertains to reversal/ payment of any export benefit availed at the time of export. Further, we understand that the unit is re-importing the exported goods due to the deficiencies identified by the customer and the goods are not being re-exported by the unit. Further, please note that as per Regulation Number 9 of Notification No. 53/2003-Customs dated 22nd July 2003, there are only two conditions as described in trail mail and the unit is not required to re-export the goods in order to avail benefit of said notification.
2	Dipak Mistry (Manager) TARASAFE INTERNATIONAL PVT. LTD. 6,7,8,9 Apparel Park, GIDC, SEZ, Khokhra, Ahmedabad- 380008. INDIA Mobile: +91-9714857222	SEZ	We would like have your advice on following issue: 1. How to show sale of goods by sez unit to FTWZ in APR of sez unit? Payment of such sale in foreign currency received by Sez unit from his foreign buyer. Foreign buyer of SEZ unit has asked FTWZ unit to store the goods on his behalf in India for later export to them. Please advise. 2. Supply of goods by sez unit to EOU unit is considered as deemed export under rule 53(A) (j) in counting NFEE. However, in APR there is clause 4(f) value of imported RM material transfer to SEZ / EOU. Does it mean that while calculating NFEE deemed export value is added in export value in APR (clause 3b) and CIF value of imported RM transfer to EOU (clause 4(f) is deducted. Consider that SEZ unit has transfer raw material to his own EOU unit (inter unit transfer) against procurement certificate. Please advise.	Please find our response below: 1. How to show sale of goods by sez unit to FTWZ in APR of sez unit? Payment of such sale in foreign currency received by the Sez unit from his foreign buyer. Foreign buyer of the SEZ unit has asked the FTWZ unit to store the goods on his behalf in India for later export to them. Please advise. – We understand that the SEZ unit is having a sale agreement with foreign buyer, according to which foreign buyer is instructing the SEZ unit to supply such goods to FTWZ on their behalf. Hence, such supply made by the unit to foreign buyer would be considered as exports at the time of reporting in APR. 2. Supply of goods by sez unit to EOU unit is considered as deemed export under rule 53(A) (j) in counting NEE. However, in APR there is clause 4(f) value of imported RM material transfer to SEZ / EOU. Does it mean that while calculating NFE deemed export value is added in export value in APR (clause 3b) and CIF value of imported RM transfer to EOU (clause 4(f) is deducted. Consider that SEZ unit has transfer raw material to his own EOU unit (inter unit transfer) against procurement certificate. Please advise. – We understand that the SEZ unit is transferring imported raw material to its EOU unit. Such transfer of imported raw material is to be reported only in Point 4(f) of APR.

S. No.	Details of EPCES Member	Category	Query from Member	Response by Grant Thornton
3	Ajay Singh Managing Director Mobile: +91-9711113999 Indo Aerospace Solutions Pvt. Ltd.	SEZ	Request you to kindly advise if the Foreign Exchange Income generated through Merchant Transactions can be considered against NFE in the APR? E.g.- We place an order with supplier in USA - Have the material shipped from USA to customer in Thailand. - Raise an invoice to customer who pays us in Foreign Exchange. Can this income be included against NFE in APR?	Please note that any foreign exchange earnings made by the unit is required to be included in Net Foreign Earnings (NFE). Further, as described in below mail we understand that foreign exchange is received by the unit for undertaking said merchant transactions. Hence, the unit is required to include the same in NFE at the time of filing Annual Performance Report (APR).
4	ACS Himanshi Mittal Company Secretary Divya Portfolio (IFSC) Private Limited Mobile: 7838785702 Email: roc@divyaportfolio.com	SEZ	We would like to write this email to0 raise a query regarding the Address other than Registered office where all or any books of account and papers are maintained, as we are planning to register Company's Corporate office (other than Registered Office) where company can also maintain its all or any books of accounts and papers and There will be no change in existing Registered Office Address, we have query that is there any restriction for this as per SEZ compliances or any requirement of pre-approval or post intimation to SEZ authorities.	Please note that any changes in details of a unit established under SEZ are required to be intimated to the Development Commissioner (DC) and the Specified Officer (SO).
5	Rahul Kalburgi Aequs SEZ, Belgaum Mobile: 9964344062	SEZ	We seek your advice of applicability of GST on following transaction. We operate a SEZ unit and engaged in manufacture of Plastic Toys. We got an order from overseas customer for manufacture and supply of a particular category of Toy. To execute the order, we procured goods/services and were in process of conducting trial production runs. The Customer cancelled the order due to some business reasons and has agreed to compensate us for the expenses incurred by us so far. We have to raise an invoice/debit note on the customer towards recovery of expenses with nominal mark-up being the charges for cancellation of order.	Please find our response below: 1. Applicability of GST on amount charged to customer for cancellation of order – GST would be applicable on such cancellation charges recovered as the same would qualify as supply under GST. 2. Manner of disclosure of such amount in the GST returns - The transaction should be disclosed in GSTR-1 & GSTR-3B as outward supply and GST liability pertaining to such transaction would be discharged through GSTR-3B. 3. What document should be issued by us to the customer (Invoice/debit note) – Tax invoice should be issued by the unit to the customer from which cancellation charges are being recovered.

S. No.	Details of EPCES Member	Category	Query from Member	Response by Grant Thornton
			<p>Kindly advise:</p> <ol style="list-style-type: none"> 1. Applicability of GST on amount charged to customer for cancellation of order; 2. Manner of disclosure of such amount in the GST returns; 3. What document should be issued by us to the customer (Invoice/debit note); and 4. Any other related point connected with this issue, if you wish to highlight. 	
6	Rahul Kalburgi Aequs SEZ, Belgaum Mobile: 9964344062	SEZ	We would like to know whether SEZ unit/developer is liable to pay GST under Domestic Reverse Charge.	Please note that SEZ unit can procure services, where they are required to pay GST under reverse charge mechanism (RCM), without payment of GST provided the actual recipient i.e. SEZ unit furnishes a letter of undertaking (LUT). Enclosing TRU document issued by Department of Revenue for your reference.
7	Rahul Kalburgi Aequs SEZ, Belgaum Mobile: 9964344062	AEO	We would like to know the advantages and disadvantages of "Authorized Economic Operator Scheme".	<p>Benefits of Authorised Economic Operator (AEO) scheme:</p> <ol style="list-style-type: none"> (i) Recognition worldwide as safe, secure and compliant business partners in international trade and get trade facilitation by a foreign Customs administration with whom India enters into a Mutual Recognition Agreement/Arrangement; (ii) Facility of Direct Port Delivery (DPD) of their import Containers and/ or Direct Port Entry (DPE) of their Export Containers; (iii) Waiver of full or part of the Bank Guarantee requirements, Waiver of Merchant overtime fees; (iv) Deferred payment of duties; (v) Waiver of solvency certification for Customs Brokers; (vi) A lower risk score in risk analysis systems when profiling; (vii) Faster disbursal of drawback amount through process eased out vide Circular 18/2017 Customs dated 29.05.2017; (viii) Fast tracking of refunds and adjudications;

S. No.	Details of EPCES Member	Category	Query from Member	Response by Grant Thornton
				<p>(ix) Self-certified copies of FTA / PTA origin related or any other certificates required for clearance would be accepted; and</p> <p>(x) Recognition by Partner Government Agencies and other Stakeholders as part of AEO programme. Considering the above benefits provided under AEO scheme, not obtaining AEO certification may result in non-availability of above-mentioned benefits and the unit will be treated at par with other Import Export units.</p>
8	Kannan Shankar Jewels	SEZ	<p>Kind attention is invited to the addition titled "BOND-CUM-LEGAL UNDERTAKING DETAILS" in the APR format available in NSDL site (after PART II, Para 1 titled 'DTA Sales')</p> <p>I. Legal provisions:</p> <p>Attention is invited to Rule 22(1)(iv) (d) of the SEZ Rules and Instruction No. 72 dated 30.11.2010 issued by SEZ Division of the Ministry clarifying interpretation of the said Rule Vide para (i) of the said Instruction, it has been explicitly clarified that the onus of the monitoring of BLUT lies with the Developer or the Unit as the case may be. There is no clarification from the Ministry contradicting the said interpretation nor is there any amendment to the format of APR i.e. FORM I of the SEZ Rules. Therefore, introducing the said new para without amendment in APR format is beyond the scope of SEZ Rules and against the concept of ease of doing business. Therefore, appears to be not necessary and requires to be withdrawn/amended.</p> <p>II. Difficulties faced:</p> <p>As may be seen from the format, there is no provision for getting any credit in respect of the duty foregone on the goods exported during the relevant financial year. Because of this, units are compelled to increase the bond value every year and with high value</p>	<p>Please note that as per Rule 22 of SEZ Rules, 2006 there is no provision for debit and credit in the BLUT. In the instant case we understand that the Unit is submitting the BLUT on the basis of the projections of 1 year, however to avoid submission of additional BLUT due to shortage/revision of Bond amount, the Unit may submit the BLUT for the 5-year projection.</p>

S. No.	Details of EPCES Member	Category	Query from Member	Response by Grant Thornton
			<p>inputs like precious metals and stones, such enhancement in bond value is substantially high, running in cores. The units are not in a position to continuously enhance bond value because it will exceed the net worth of the company. Apart from this, the bond value is reflected as contingent liability in the audited balance sheet of the company.</p> <p>Customs Interpretation:</p> <ol style="list-style-type: none"> 1. Total Amount of BLUT - Rs. 3CR. 2. Duty Foregone on Goods/ Services imp. For 1 year - Rs. 2CR. 3. Balance of the Bond value - Rs.1Cr. Now if we want to import goods/services for the next year For 1.5CR as per customs you have to give additional bond. Whereas our stock lying at the unit end of the year is only Rs. 50 Lacs. <p>If customs only debit every year and no credit then we have to keep on giving additional bond.</p> <p>Units Interpretation:</p> <ol style="list-style-type: none"> 1. Total amount of BLUT - Rs. 3CR 2. Duty Foregone on Goods/ Services Imp for 1 year - Rs. 2CR. 3. Balance of the Bond value - Rs.1CR <p>Now, if we want to Import for the next year for Rs. 1.5CR then Customs should monitored again as per the original BLUT value i.e. Rs. 3CR and not balance with 1CR We need your support & clarification urgently.</p>	

S. No.	Details of EPCES Member	Category	Query from Member	Response by Grant Thornton
9	Chary. K.V Natural Ingredients Pvt. Ltd.	EHC	We would like to export goods to EU country, they are asking to provide health certificate. Could you please advise how to get a health certificate?	Please note that the Export Inspection Council (EIC) is the prescribed authority for issuance of the Health Certificate/Export Health Certificate (EHC). Request you to kindly proceed with filing of application with EIC for obtaining said Health certificate.
10	Govind Yadav	SEZ/EOU	We have an EOU and SEZ unit, we want to take moulds/equipment on rent from our DTA unit. These moulds would be returned back to DTA after completion of work. Do we need to pay duties when we will send the equipment/ moulds from the DTA unit to SEZ/ EOU and take it back from EOU/ SEZ?	As per Rule 27 of SEZ Rules, 2006, the SEZ unit can procure goods or services from Domestic Tariff Area (DTA) unit without payment of duty for the purpose of its authorized operations. However, as instructed in Rule 47 of said rules, applicable Custom duties are required to be discharged at the time of removal of such moulds/equipment from SEZ unit to a DTA unit. Further, such supply of moulds/equipment between EOU and DTA unit would be undertaken after considering applicable GST.
11	Yuvaraj Bangera	EOU	If raw material is having custom duty as 10% but I bring it duty free against procurement certificate. The same raw material is used for finished products which are to be sold in the domestic market, what shall be procedure and duty levied? Please share relevant circular/notification to it.	We would like to update that as per Para 6.08 of Foreign Trade Policy (FTP), an EOU may sell finished goods (including rejects and wastes) subject to fulfillment of positive NFE, on payment of GST and compensation cess along with reversal of custom duties availed as exemption, if any on the inputs utilized for the purpose of manufacturing of such finished goods.
12	Anoop K. Srivastava Senior Administrator Esscee Biotech (I) Pvt. Ltd. Lucknow Mobile: 9335229857	EOU	We Esscee Biotech (I) Pvt. Ltd. (100% EOU) shipped a consignment to our Japanese customer Kishida Chemical Co. Ltd. Japan through vide Invoice No EBEX/INV/126/21-22 dated December 27, 2022 on advance payment term. Through the customer and our counter sample we found the quality of the supplied chemical is not up to the mark. The shipped material is now in the waste material category. Since, there is no use of the waste material in our end so, we not want to call it back, and moreover, the freight for call back the stock would be another loss of ours. To compensate for the loss of customers we have to ship another consignment with a consideration that for this consignment payment	Please note that instructions for replacement of goods exported and found damaged or defective are covered under Circular No. 60/99-Custom dated 10/9/1999. Wherein it is instructed that: 2(A). Goods exported and found defective, damaged or otherwise unfit for use by foreign buyer. (i) The units may be allowed to make free replacement of the goods exported and found defective, damaged or otherwise unfit for use prior to physical re-import of the such goods subject to grant of GR Waiver by Reserve Bank of India. However, such defective, damaged or otherwise unfit for use goods shall be subsequently brought back to the country. (ii) The units may be allowed to re-import part consignment / full consignment not necessarily for the purpose of re-export in case of failure of the foreign buyer so take the delivery. i.e. Subject to grant of GR waiver by the RBI, the EOUs are allowed to make free replacement of the goods

S. No.	Details of EPCES Member	Category	Query from Member	Response by Grant Thornton
			<p>will not come. Kindly suggest a custom procedure for such a matter.</p> <p>As far as Bank procedure they will issue a GR waiver certificate, where they declared that by our constituent there is NO FOREIGN EXCHANGE involved in this transition. The bank will issue the certificate as per FEMA 23/2000-Rb 4(L) dated 03.05.2000</p>	<p>exported by them earlier and found defective, damaged or otherwise unfit by the overseas buyer. However, such defective, damaged or otherwise unfit for use goods are required to be brought back subsequently, to the country. The units are also allowed to re-import part consignment/full consignment in case of failure of the foreign buyer to take delivery.</p>
13	Prakash Singh Thakur GIFT SEZ LIMITED	SEZ	<p>You have replied to one of the unit for WFH that "As per MOC guidelines, WFH is allowed till June 2022. Basis which all Zonal DCs have issued circular." Requesting to please share the MOC guidelines for WFH.</p>	<p>Please note that relevant circulars for work from home guidelines for SEZ units have been issued by respective zonal DCs. Enclosing circulars issued by NSEZ and SEEPZ for your ready reference.</p>
14	Sunil Malhotra Partner, MALBROS MARBLES & GRANITES INDUSTRIES (100% E.O.U.)	EOU	<p>We are 100% EOU and selling to merchant exporter, we are collecting shipping bill and bill of lading from merchant exporter.</p> <p>Please confirm if we also need to collect copy of Bank Realisation Certificate (BRC) from the merchant exporter, because as per paragraph 2.42 states that Third party exports (except Deemed Export) as defined in Chapter 9 shall be allowed under FTP. In such cases, export documents such as shipping bills shall indicate name of both manufacturing exporter/manufacturer and third-party exporter(s). Bank Realisation Certificate (BRC), export order and invoice should be in the name of third-party exporter.</p> <p>Also inform if we need to collect any other document from merchant exporter as per GST or Foreign Trade Policy (FTP).</p>	<p>As per Para 9.60 of Foreign Trade Policy, Third-party exports means exports made by an exporter or manufacturer on behalf of another exporter(s). In such cases, export documents such as shipping bills shall indicate names of both manufacturer exporter/manufacturer and third-party exporter(s). Bank Realisation Certificate (BRC), Self-Declaration Form (SDF), export order and invoice should be in the name of third-party exporter.</p> <p>Further, as per Para 2.42 of Foreign Trade Policy, third party exports (except Deemed Export) as defined in Chapter 9 shall be allowed under FTP. In such cases, export documents such as shipping bill shall indicate the name of both manufacturing exporter/manufacturer and third-party exporter(s). Bank Realization Certificate (BRC), Export Order and Invoice should be in the name of third-party exporter.</p> <p>Hence, the unit needs to collect below mentioned documents from merchant exporter as a proof of export undertaken:</p> <p>(i) Shipping Bill; and</p> <p>(ii) Bill of lading.</p> <p>Further, Bank Realization Certificate (BRC), Export Order and Invoice should be in the name of third-party exporter only and not in the name of the manufacturer. The unit can collect the said documents for its record and documentation purpose.</p>

S. No.	Details of EPCES Member	Category	Query from Member	Response by Grant Thornton
15	Vaishali Share India Securities Limited 0120-4910044	SEZ	The concerned officials are asking for legal provisions that allows modification of APRs. Please guide us regarding the same.	There is no specific provision under SEZ rules for revision/ amendment of APR. However, any changes/ amendment required in filings and declared projections are required to be informed to the DC office. Hence, rectification of wrongly filed APRs are required to be intimated to the DC office along with proper justification of the same for their consideration.
16	Ch.S.S. Sekhar R.D-EPCES-VSEZ	SEZ	I have received a query from the SEZ unit they have represented due to over oil to the Generators in their SEZ units the waste oil has accumulated more than 20000 liters. Now they want to dispose of the oil, so the unit has to pay the IGST while disposing of the oil and what procedure should be followed.	<p>Please note that as per FTP 2015-20, an SEZ unit may be allowed to dispose off in DTA any waste or scrap, including any form of metallic waste and scrap, generated during manufacturing or processing activity, without an authorization, on payment of applicable Customs Duty.</p> <p>Further, sale from SEZ unit can be done in two ways: Sale of goods from SEZ to a DTA unit with Bill of Entry, such transaction shall bear no liabilities for SEZ unit, however, for the buyer it will be treated as imports from SEZ. As per Section 30 of the SEZ Act 2005, any goods removed from SEZ to DTA shall be chargeable to duties of customs including anti-dumping, countervailing duty and safeguard duties under Customs Tariff Act, 1975. IGST is also leviable under section 5 of the IGST Act, 2017.</p> <p>Sale of goods or services from SEZ to a DTA unit without Bill of Entry will be treated as normal sales and since sale from SEZ is treated as inter-state supply, IGST is required to be collected by the SEZ. With respect to the para 1 above, please note that Rule 48 of the SEZ Rules 2006 lays down the procedure for sale in DTA. The procedure is as follows:</p> <p>Domestic Tariff Area buyer shall file Bill of Entry for home consumption giving therein complete description of the goods and/or services namely, make and model number and serial number and specification along with invoice and packing list with the Authorised Officers:</p> <p>Provided that the Bill of Entry for home consumption may also be filed by a Unit on the basis of authorization from a Domestic Tariff Area buyer. Valuation of goods and/or services cleared into Domestic Tariff Area shall be determined in accordance with provisions of Customs Act and Rules made thereunder as applicable to goods when imported into India. In view of the above discussion, we are of the view that SEZ unit in the present case can dispose off oil to a DTA unit under Bill</p>

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				of Entry without an authorization, where the DTA unit will be liable to discharge applicable duties and taxes on such supply.
17	Dipak Mistry (Manager) TARASAFE INTERNATIONAL PVT. LTD. 6,7,8,9 Apparel Park, GIDC, SEZ, Khokhra, Ahmedabad- 380008. INDIA Mobile: +91-9714857222	SEZ	We (Sez unit) have exported Goods outside India against LUT without payment of IGST. Overseas buyer has found said goods as defective/ rejected issue. No Payment is received against defective goods. Now we (Sez unit) are importing defective goods (as it is) within 6 months from date of Export. Please advise if custom duty or IGST is payable at the time importation of Goods by sez unit.	In relation to your query below, please note that as per Regulation Number 9 of Notification No. 53/2003-Customs dated 22nd July 2003, the unit shall be allowed to re-import the goods exported and found to be defective or damaged by the overseas buyer or in the case of failure of the buyer to take delivery of the goods, subject to the procedure as mentioned in regulation 4 of such notification and subject to the following conditions, namely: (i) identity of goods is established at the time of re-import; and (ii) goods are re-imported within a period of one year from the date of export. Hence, the unit is allowed to re-import such defective/ rejected goods without payment of duty and IGST thereon.
18	KIRAN KUMAR BYSANI Tax Manager Micron Technology Operations India LLP +91 9742241160	SEZ	Whether procurement of goods towards interior fit outs of a unit can be treated as procurement for authorised operations considering that the unit is an IT/ITES unit or is there any restriction for an IT/ITES unit.	Please note that procurement of goods towards interior fit outs of SEZ unit will be considered as goods purchased for setting up infrastructure of the unit in the present case. However, in case of any further doubt, we suggest that you should approach the jurisdictional Development Commissioner and obtain his prior approval before initiating such procurement.
19	Dhinesh Varadharajan Manav Packaging Private Limited Mobile: +91 98840 43734	SEZ	We have currently got an order from Dubai which we can only manufacture outside our zone 600 kms away from our factory. Can this be exported directly from our supplier factory without bringing the goods inside the SEZ Zone? Kindly note that the shipping bill will carry our company name Manav Packaging along with Invoice and packing list. The Foreign currency inward remittance will also be received by us but Export will happen directly outside the zone. Is this possible?	We understand that the Company is an SEZ unit intending to export goods directly from a place outside SEZ i.e., sub-contractor, in Tuticorin. In this regard, as per Rule 42 of the SEZ Rules, 2006, please note that goods can directly be exported from premises of the sub-contractor provided following conditions are satisfied: Approval from specified officer (SO) of Customs should be obtained for subcontracting manufacturing activity outside SEZ. Unit must provide details of the sub-contractor along with GSTIN and details of the subcontracting process. SO may grant annual permission for such sub-contracting processes. Export of finished goods directly from the job worker's premises may be permitted provided the job worker has GST registration.

S. No.	Details of EPCES Member	Category	Query from Member	Response by Grant Thornton
				<p>Shipping bills for duty-free goods shall be processed at port of export as in case of normal export and shipping bills shall be filed in the name of unit & sub-contractor.</p> <p>Further, as per Rule 33 of the SEZ Rules 2006, any goods imported or procured from Domestic Tariff Area required for authorized operations should be brought into premises of Unit. Hence, Unit should ensure that goods (if purchased from DTA/ imported) are brought into premises of Unit before the same are sent to sub-contractor.</p>
20	Sashi Varma B. Sc: FCMA, Finance Manager, XO Pack Private Limited	SEZ	<p>We, XO Pack Private limited, are a CSEZ unit manufacturing corrugated cartons. Our customers are mainly 100% EOU, customers located within CSEZ, DTA customers and customers located outside India. Our query is whether we are eligible for reimbursement of expenditure incurred by us on Statutory Compliances under MAI Scheme on sales made to CSEZ, EOU customers, DTA customers and customers located outside India. We are/ have incurring /incurred expenses toward testing of our finished products. We have two types of testing, one done in-house and the other done by Indian Institute of Packing, Chennai.</p>	<p>The in-house testing charges are not eligible for refund. Also, the refund under the scheme is only applicable for products to be exported whereas in your case the products are sold within the country. In case you have any other products, which are directly exported or to be exported, please share the details.</p>
21	Dipak Mistry Tarasafe international Pvt. Ltd.	EOU	<p>Finance act 2021 have changed Sec 46 and accordingly circular and clarification was issued.</p> <p>Kindly advise will advance filing of bill of entry provision also applicable to SEZ unit? SEZ is considered as Sea port, airport, ICD under sez act. In this case, which Port (SEA port, ICD or SEZ) would be considered for time limit of filing of Bill of Entry? Is there any option in sez online system to file advance bill of entry?</p>	<p>Please note that SEZ online portal does not allow filing of bill of entry (BOE) in advance. Hence, advance filing of Bill of entry as per section 46 of Customs Act, 1962 is not applicable on SEZ units.</p>

S. No.	Details of EPCES Member	Category	Query from Member	Response by Grant Thornton
22	CA Salvi Shah Chief Manager (F&A) IDBI Trusteeship Services Limited	IFSC	<p>We have received an approval for opening our branch in IFSC unit. Attached is the registration certificate received for the same. However, we have couple of queries pertaining to operation in IFSC unit. Request you to kindly provide clarification on the same.</p> <ol style="list-style-type: none"> 1. As per Income Tax Act, 1961 IFSC units are eligible for tax exemption for 10 consecutive years out of 15 years. This will be applicable to us for the branch planned to be open in IFSC unit. We understand to take the tax exemption of the same we need to maintain separate set of financials before consolidated in HO. Kindly confirm if any other pre-requisites required for claiming income tax exemption. 2. Further for MAT calculation, Unit operating in IFSC is done at reduced rate of 9% however for companies outside IFSC is at 15%. To take the benefit of reduced rate do we need to calculate separate MAT profits for HO & branch for income tax purpose. 	<p>We have received an approval for opening our branch in IFSC unit. Attached is the registration certificate received for the same. However, we have couple of queries pertaining to operation in IFSC unit. Request you to kindly provide clarification on the same.</p> <ol style="list-style-type: none"> 1. As per Income Tax Act, 1961 IFSC units are eligible for tax exemption for 10 consecutive years out of 15 years. This will be applicable to us for the branch planned to be open in IFSC unit. We understand to take the tax exemption of the same we need to maintain separate set of financials before consolidated in HO. Kindly confirm if any other pre-requisites required for claiming income tax exemption. 2. Further for MAT calculation, Unit operating in IFSC is done at reduced rate of 9% however for companies outside IFSC is at 15%. To take the benefit of reduced rate do we need to calculate separate MAT profits for HO & branch for income tax purpose.
23	Mr. Ramana Phoenix India	SEZ	<p>One Vendor has brought the material into the SEZ premises under Tax invoice having LUT. Now, work has completed at Site and Vendor wants to take back the excess material from SEZ premises by raising Credit Note on SEZ Developer. Now: Whether Vendor can take back the material from SEZ developer premises by raising Credit Note on Developer (while ensuring that tax invoice and Credit Note shall uploaded into SEZ portal and approval from the SEZ officer taken only for the net value of material supplied). OR it is mandatorily required to pay tax while</p>	<p>As per Rule 48(3) of SEZ Rules, 2006, "Where goods procured from Domestic Tariff Area by a Unit are supplied back to the Domestic Tariff Area, as it is or without substantial processing, such goods shall be treated as re-imported goods and shall be subject to such procedure and conditions as applicable in the case of normal re-import of goods from outside India. Provided that in the case where such goods are supplied back to the Domestic Tariff Area, as it is, and where the import duty on such goods is 'Nil' and while procurement of such goods no export benefits were allowed against such goods, the Unit may be allowed to supply back such goods to Domestic Tariff Area on the basis of invoice only and filing of Bill of Entry in such cases shall not be required" We understand that the unit wants to above mentioned rule the same shall be considered as</p>

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			taking back the excess material from SEZ premises, if so, please suggest on invoicing procedure for excess material.	re-import of goods and will be cleared after filing of Bill of entry. Accordingly, DTA would be required to file Bill of entry for clearing such unused goods from SEZ unit.
24	Mr. Ramana Phoenix India	SEZ	<p>We Phoenix IT/ITES SEZ Developer is proposing to lease of space of around 1 lac SFT to IT/ITES Client.</p> <p>In which, the Client is proposing to use about 5,000 SFT for Cafeteria and Gym exclusively for their employees.</p> <p>Since supplies to SEZ UNIT is @ zero rate of tax if the supplier is having valid LUT. However, considering the attached Instruction no: 95 (stating that SEZ UNIT cannot avail any benefits for operating of such facilities), are we required to charge GST@18% on 5,000 SFT area on rental invoice and maintenance invoice.</p>	<p>GST on lease rentals on account of space being used for Cafeteria/ Gym is debatable in light of the Instruction 95 and DGEP (MOF) clarification.</p> <p>However, most of the Development Commissioners have directed field formation to maintain status quo (no GST on lease rental) till a final clarification is issued by MOC in the instant matter.</p>
25	Mr. Ramana Phoenix India	SEZ	We, Phoenix an SEZ Developer, having GST inputs on few supplies received. Now, we would like to go for GST refund. When we checked with our consultant, they advised us that based on the attached Order, SEZ Developer is not entitled to apply for GST refund. Can you please confirm whether an SEZ developer can apply for GST refund?	There is no provision under the GST law which restricts a SEZ unit /developer to claim refund of ITC on GST paid to the vendors with respect to supplies received. There is only a procedural provision which specifies that supplier is required to file claim of refund in case of supplies made to SEZ unit or developer. Please note that in our view, said procedure would not deny the benefit or opportunity of refund claim to SEZ unit or developer. Further, the judgement in case of "Vaachi International" (as shared in trail mail) passed by Appellate Authority of Andhra Pradesh has denied refund claim filed by SEZ unit on the ground that only supplier can claim refund of tax on supply to SEZ unit/developer. However, contrary to this, Madras High Court in case of "Platinum Holdings Private Limited" held that the SEZ unit is entitled to claim refund of tax paid on purchases.
26	Priya. B. S Accountant SARDONYX TECHNOLOGIES PRIVATE LIMITED	EOU	1. For EOUs has a permit to procure raw material or capital goods duty-free, either through import or through domestic sources means - We can register with EHTP only we can avail this.	<p>1. Please note that these benefits are evenly provided to EOU/EHTP/STP/BTPs covered under Foreign Trade Policy (FTP);</p> <p>2. In addition to obtaining Letter of Permission (LOP) from STPI, Registration-cum membership certificate (RCMC) is also required to be obtained from Export Promotion Council for EOUs and SEZs (EPCES); and</p>

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			<p>2. Exemption from industrial licensing for manufacture of items reserved for SSI sector - Any other licenses to be permitted for EOUs; and</p> <p>3. If EOUs can do sales in India (Domestic sales) – please clarify.</p>	<p>3. Yes, EOUs can make domestic sales subject to reversal/payments of benefits availed at the time of procuring inputs.</p>
27	Archana Jain, Manager Stock Holding Corporation of India Limited GIFT-IFSC International Custodian Unit	SEZ	<p>In respect of the query as clarified by the Custom post at GIFT City, we have been told: That as per the SEZ policy for procurement of used capital goods by SEZ Units Sender of goods need to take approval from the Development Commissioner with the following documents:</p> <p>For inwarding the old used UPS into IFSC Branch: 1) Valuation reports from certified Engineer; 2) Total value of used capital goods in the branch should be more than 20%. For the outgoing UPS from the IFSC branch:</p> <p>1) Valuation reports from certified Engineer;</p> <p>2) Total value of used capital goods in the branch should be more than 20%. For the outgoing UPS from the IFSC branch:</p> <p>1) Original Bill to be submitted to a pre-appointed consultant who would calculate the GST appoint to be paid on the UPS;</p> <p>2) That GST to be paid and proof to be shown at the custom office than they shall approve the shifting of UPS from GIFT Branch to other locations.</p>	<p>We understand that SEZ unit registered as an IFSC unit is procuring used capital goods from the DTA unit for personal consumption. Further, please note that Instruction no. 11 and 68 read with section 80IA and section 10AA of Income Tax Act, 1961 clarifies that SEZ units can procure used capital goods not exceeding 20% of the total value of the machinery or plant used in the business. However, deduction provided to IFSC units vide section 80LA of Income Tax Act, 1961 doesn't provide any such 20% capping for IFSCs operating under SEZ.</p>
28	Dipak Mistry (Manager) TARASAFE INTERNATIONAL PVT. LTD.	SEZ	<p>In furtherance to trail mail, please note that notification shared pertains to reversal/payment of any export benefit availed at the time of export. Further, we understand that the unit is re-importing the exported goods</p>	<p>Please note that since the unit has exported such goods without payment of IGST under letter of undertaking (LUT), no reversal/payment of IGST would occur at the time of return of such defective goods.</p>

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			due to the deficiencies identified by the customer and the goods are not being re-exported by the unit. - > Does unit liable to reverse / Pay IGST not paid at the time of export of goods against LUT in this case? Can custom sez demand reversal/Payment of IGST in this case?	Further, if the unit has availed any other export incentive on account of such export of goods, the same is required to be paid/reversed.
29	Devang Shah Manager- Commercial Zydus Hospira Oncology Pvt. Ltd.	SEZ	<p>We have filed SEZ Bill of entry for overseas import consignment and received the goods in SEZ and out charge is done in SEZ. At the time of file the bill of entry Invoice received from the supplier in USD currency but now supplier is informed that by oversight invoice is in USD currency actual PO in Euro and submitted Invoice in Euro currency with same invoice no. and date of invoice.</p> <p>We have filed the amendment in SEZ online but they have given query that amendment is done only if any change in the document submitted while the file bill of entry as per section 149 of the Customs Act, 1962. Please guide. We required amended bill of entry to do the payment to supplier and can be show in IDPMS.</p>	<p>Please note that as per Section 149 of Customs Act, 1962, the proper officer may, in his discretion, authorize any document, after it has been presented in the custom house to be amended in such form and manner, within such time, subject to such restrictions and conditions, as may be prescribed.</p> <p>Such amendment is applicable in case of change in shipment details, invoice details or item details etc. where the details have actually changed or erroneously, incorrect details had been entered in the document while submission through SEZ online system. Such amendment can be affected only with the permission of Customs Officials as the transaction/document has already been submitted & approved by customs. In case of SEZs, generally the approval of the specified officer is required for amendment of the transaction. We understand that initially the Company has filed Bill of entry on the basis of USD invoice received from the supplier. However, later the supplier has shared a revised invoice in Euro. Hence, the Company can file for amendment of Bill of entry with submission of revised invoice received in Euro.</p>
30	Archana Jain, Manager Stock Holding Corporation of India Limited GIFT-IFSC International Custodian Unit	SEZ	<p>Stockholding is operating as a Branch Unit in GIFT IFSC Zone as Custodian of services.</p> <p>We are in receipt of 6 KVA UPS along with Battery Cord and Power Cord from our head office.</p> <p>Please urgently advise us the procedure to procure the same in our GIFT City branch at 308 A Hiranandani Tower at GIFT City.</p>	<p>Please note that in case where SEZ unit is procuring material from DTA units, the same is qualified as zero-rated supplies for the DTA unit under Section 16 of IGST Act, 2017 read with Rule 30 of SEZ Rules, 2006.</p> <p>Further, SEZ unit procuring the same need to file the details of such procurements on SEZ online portal via Domestic Procurements Form (DPF).</p>

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31	Priya. B. S Accountant SARDONYX TECHNOLOGIES PRIVATE LIMITED	EOU	We need your valuable advice to export of goods from India. Kindly share the incentives, Duty remission, GST return for export of goods, If we export goods, we can do domestic sales.	<p>Please find below the benefits provided to EOUs:</p> <ol style="list-style-type: none"> 1. No restriction on DTA sales. However, duty exemption claimed at the time of import has to be paid back; 2. EOUs are permitted to procure raw material or capital goods duty-free, either through import or through domestic sources; 3. Exemption from Basic Customs Duty and Agriculture Infrastructure and Development Cess (AIDC) on procurements. However, in case of DTA sales, the exempted duty needs to be repaid; 4. Supplies from DTA to EOU for use in their manufacture for exports will be eligible for benefits of deemed exports under Chapter 7 of FTP; 5. EOUs are allowed to avail the benefit of refund of GST when exports are made without payment of taxes. 6. Exemption from industrial licensing for manufacture of items reserved for SSI sector; 7. Units will be allowed to retain 100% of its export earnings in the Exchange Earner's Foreign Currency (EEFC) account.
32	Sreeram Kaza (Vice President – Indirect Taxation) Intas Pharmaceuticals Ltd.	SION	Whether the suggested process (i.e. obtaining the Adhoc norms for (1) additional input or (2) additional quantity) is required to be done, even for the cases where the scrap is less than 2%?	Please note that the below process for modification of SION is required to be complied by the unit when any additional inputs or additional quantities are being used, even when the wastage from use of such additional inputs/ quantity is below 2%.
33	Sreeram Kaza (Vice President – Indirect Taxation) Intas Pharmaceuticals Ltd.	SION	<p>In case where SION has been fixed for a finished goods, whether an EOU is required to get the adhoc norms approved for that finished goods:</p> <ol style="list-style-type: none"> a) If an additional input-item (which is not mentioned in SION) is required as input for manufacturing the finished goods; or b) If an additional input-quantity (over & above SION) is required as input for manufacturing the finished goods. 	<p>In relation to your query in trail, please find our response below:</p> <ol style="list-style-type: none"> a) In case of any additional input item addition, which was not mentioned in SION earlier, the unit can use such goods/inputs on the basis of self-declared norms till such norms are fixed on ad hoc basis by the jurisdictional Development Commissioner within a period of three months from the date of self-declared norms and the unit shall undertake to adjust the self-declared / ad hoc norms in accordance with norms as finally fixed by the Norms Committee for the unit. The ad-hoc norms will continue till such time the final norms are fixed by the Norms Committee.

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				<p>b) In case of any additional quantity used for the already mentioned inputs, application for modification needs to be made by the unit. Hence, the unit needs to apply for modification of SION through ANF-4B in both of the cases as mentioned above.</p>
34	Gnutti Carlo India Private Limited	SEZ	We are planning to utilize MEIS scrip-Non-EDI for our DTA Clearance to adjust of custom duty. Please check and let us know the proper guidelines for further proceeding.	<p>We understand that the company (SEZ unit) holds valid duty credits scrips received under MEIS Scheme and wishes to utilize the same for payment of Customs duty in respect of its DTA Sale.</p> <p>As per Rule 48 of the SEZ Rules, 2006 - "Procedure for sales in DTA".</p> <p>Domestic Tariff Area buyer shall file Bill of Entry for home consumption giving therein complete description of the goods and/or service namely, make and model number and serial number and specification along with invoice and packing list with the Authorised Officers.</p> <p>Provided that the Bill of Entry for home consumption may also be filed by a Unit on the basis of authorization from a Domestic Tariff Area buyer.</p> <p>From the above, we understand that, in case of DTA Sale by SEZ unit, Bill of Entry can be filed either by DTA Importer or the Unit on behalf of the DTA Buyer. However, as per Para 3.02 of the Foreign Trade Policy 2015-20, Duty Credit Scrips received under SEIS and MEIS schemes can be used only for:</p> <ul style="list-style-type: none"> (i) Payment of BCD and Additional Customs Duty under sections 3(1), 3(3) and 3(5) of the Customs Tariff Act, 1975, for import of inputs or goods, including capital goods, as per DoR Notification, except items listed in Appendix 3A. (ii) Payment of Central excise duties on domestic procurement of inputs or goods, (iii) (iv) Payment of Basic Customs Duty and Additional Customs Duty specified under Sections 3 (1), 3 (3) and 3 (5) of the Customs Tariff Act, 1975 and fee as per paragraph 3.18 of this Policy Duty credit scrips can be utilized for making payment of customs duty at the time of import of goods. In the present case, the transaction is for sale to a DTA buyer by SEZ unit. The same will be considered as

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				import only for DTA buyers and not for SEZ units. Hence, the scrips held by the SEZ unit cannot be utilized for payment of custom duty.
35	Sanjeev Kapoor	EOU	We are a 100% EOU, on purchase of HSD, the Indian Oil Corporation (IOC) charge VAT on supply of HSD to us. Is there any way / provision to claim the refund of this amount of VAT, as, for EOUs all duties should be refunded?	<p>VAT refund can be claimed by filing VAT returns. However, post introduction of the GST Act, 2017. Definition of goods has been amended in CST Act as below: "goods" means-</p> <ul style="list-style-type: none"> (i) petroleum crude; (ii) high speed diesel; (iii) motor spirit (commonly known as petrol); (iv) natural gas; (v) aviation turbine fuel; and (vi) alcoholic liquor for human consumption. <p>Further, VAT authorities may take reference of this for the purpose of registration. In such a situation you may explore judicial remedy, if any available.</p>
36	CA Ankit Kanudawala Partner Kanudawala & Associates	SEZ	By What time do we need to file the Domestic Service Procurement Form (DSPF)? If missed can we file the earlier years DSPF? How?	<p>Please note that there is no specific provision for periodicity of filing of Domestic Service Procurement Form (DSPF) in SEZ Act/ SEZ Rules. However, macros provided on SEZ online portal allows filing of such procurements on a monthly basis. Hence the unit can upload all the procurements for the month in prescribed template and upload the same on SEZ online portal for specific month.</p> <p>Further, the SEZ online portal provides an option for filing DSPF of earlier periods if not filed by the unit. Same should be intimated to Authorised Officer (AO) also.</p>
37	Vannela Srinivas JM - Compliance GMR Hyderabad Aviation SEZ Ltd. GMR Aero Towers, Hyderabad – 500108, Telangana, India	SEZ	Can SEZ developers avail GST benefits on procurement of Computers and Computer peripherals. Please let us know in this regard.	We understand that the developer is procuring computers and computer peripherals from the DTA unit under cover of zero-rated supply. Further, please note that as per Rule 12 of SEZ Rules, 2006, the Developer may import or procure goods and services from the DTA, without payment of duty, taxes and cess for the authorized operations, subject to the condition that said procurements are approved by Development Commissioner for the authorized operations.

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38	Sree Rajmohan Regional Director Export Promotion Council for EOUs & SEZs CSEZ - Cochin Region	SEZ	We are a unit engaged in manufacturing / export from CSEZ Kakkanad. The gist of the email received is appended below. "One of our customer from Sri Lanka has requested, In the current scenario of the country, Indian Government introduced Line of Credit facility to Sri Lanka for backing the current economic crisis. In that category, payment will be processed to you in INR through Indian Bank (as per the conversion rate). To proceed with this category payment process they have to register your Company Name in the LOC facility. FYI same has already been started with other Industries in Sri Lanka. So, requesting you to please confirm the process, so that they can initiate the documentation & registration accordingly." Please advise and confirm whether we are eligible for all the incentives / facilities eligible for export under Forex for the above transaction in INR.	<p>As per Point/Regulation 4 of notification No. FEMA 14(R)/2016-RB(updated upto 4th March 2020), receipt for export may also be made by the exporter in accordance with the directions issued by the Reserve Bank to Authorised Dealers, where the export is covered by the arrangement between the Central Government and the Government of a foreign country or by the credit arrangement entered into by the Exim Bank with a financial institution in a foreign state. Further, as per Point 3 of RBI/2022-23/53 A.P(DIR Series) Circular No.3, financing of export of eligible goods and services from India, as defined under the agreement, would be allowed subject to their being eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by SBI under this agreement. Further as per Para 2.52(c), Contracts (for which payments are received through Asian Clearing Union (ACU) shall be denominated in ACU Dollar. However, participants in the ACU may settle their transactions in ACU Dollar or in ACU Euro as per RBI Notifications. Central Government may relax provisions of this paragraph in appropriate cases. Export contracts and invoices can be denominated in Indian rupees against EXIM Bank/Government of India line of credit. This means that an exception has been provided for receipt of export in INR against Government of India Line of credit.</p> <p>Based on the combined reading of above provisions, we are of the view that receipt for export can be in INR provided that it is eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by SBI under this agreement and incentives/ facilities shall not be denied due to receipt of proceeds in INR. Please note that we have not assessed this from an Income Tax perspective.</p>
39	Mayur Patel Director IBISP IFSC Private Limited Mobile : +91 9510929761	SEZ	<p>We have executed BLUT (accepted by DC office vide serial no 99/2021-22 dated 12.01.2022) for Indigenous services with following limit:</p> <p>Assessable value Rs, 20,00,000</p> <p>IGST @ 18% Rs. 3,60,000</p> <p>We assume the above limit for indigenous services used, however</p>	<p>In relation to your query below, please note that duty forgone value declared at the time of execution of BLUT under respective heads of procurement could not be utilized for procurements made under other heads.</p> <p>Further, the unit is required to furnish an additional BLUT in case the unit exhausts the value of duty forgone declared at the time of execution of original BLUT.</p>

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			<p>we have limits available under Indigenous goods and imported goods as well as services.</p> <p>Need your clarification on followings:</p> <p>Whether we need to execute a separate BLUT, if we used Indigenous services even though we have limits available under Indigenous goods and imported goods and services?</p> <p>We are allowed to use limits available under Indigenous goods and imported goods and services and no need to execute separate bonds for indigenous services?</p>	
40	Ms. Arati	SEZ	We have received online Letter of Approval from SEZ Office, enclosing copy for your reference. Can you guide us, whether Trading is also covered as authorised operation/activities in the said LOA?	Please note that the LOA shared in trail mail specifically pertains to manufacturing of goods mentioned therein.
41	Ms. Arati	SEZ	<p>We require format of Letter of Approval for setting up new unit in SEZ.</p> <p>We would like to know whether one signal Letter of Approval manufacturing and trading both as Authorised operations.</p>	<p>Please find enclosed Form-G (LOA format) for your reference.</p> <p>Further, a single Letter of Approval (LOA) can be obtained for all the authorized activities/operations.</p>
42	S. Kalyani RD MEPZ SEZ	SEZ/EOU	With reference to the recent SC judgement reg. IGST on ocean freight under RCM, please clarify whether the judgement is applicable for FOB imports also with freight forwarder being a foreign company. Logically, there should be no IGST under RCM for imports since Customs A.V. includes cost, insurance and freight and IGST on imports is calculated on A.V. + duties.	Please note that the Supreme Court (SC) judgement in case of Mohit Minerals Pvt Ltd as referred below covers the specific case of import of goods on CIF basis and provides that no IGST under RCM is to be paid on ocean freight in such cases. However, the given case law does not provide any specific guidelines wherein goods are imported on FOB basis.
43	Nazeer Deputy Manager Raj Hair Intl. Pvt. Ltd.	EOU	With regards to the procurement of furnace oil, we request your help to know is there any notification / declaration for EOU Companies to purchase the furnace oil with GST Exemption.	Please note that the duty exemption provided to EOUs are only available in case of imports. Further, there is no specific exemption under GST for purchase of furnace oil by EOUs from DTA units.

44	Srinivas Vannela	SEZ	Can we claim the GST benefit on procurement of 4 wheelers for SEZ purpose? Please let us know in this regard.	<p>As per section 17(5) of CGST Act, 2017, notwithstanding anything contained in sub-section (1) of section 16 and subsection (1) of section 18, input tax credit shall not be available in respect of the following, namely: -</p> <p>(a) motor vehicles for transportation of persons having approved seating capacity of not more than thirteen persons (including the driver), except when they are used for making the following taxable supplies, namely: -</p> <p>(A) further supply of such motor vehicles; or</p> <p>(B) transportation of passengers; or</p> <p>(C) imparting training on driving such motor vehicles;</p> <p>Hence, we understand that the unit is not involved in making any of the above supplies. Accordingly, input tax credit (ITC) benefit would not be allowed to the SEZ unit in relation to purchase of 4 wheelers.</p>
45	Sinthanaiyalan. R Assistant Manager - Finance, Computer Age Management Services Ltd. Rayala Tower 1 3rd Floor # 158 Anna Salai Chennai - 600002. Mobile: 8220610864	SEZ	<p>We, Computer Age Management Services Limited, is a member of EPCES. We have an SEZ unit situated in GIFY CITY- IFSC (Kandla SEZ). We have a query related to filing of Annual Performance report (APR). LOA has been obtained by CAMS SEZ Unit in July-2021 in FY 2021-22 whereas the month of commencement of operations is April-2022 which falls in FY 22-23.</p> <p>One of the clauses in BLUT is as follows "We, the obligors shall, after the commencement of production or service activities, submit to the Development Commissioner and the Specified Officer, Annual Performance Return within a period of ninety days following the close of financial year, in the form prescribed under the Special Economic Zone Rules, 2006, certified by a Chartered Accountant".In the above clause it has been mentioned that APR shall be filed after commencement of service, within 180 days from end of Financial Year. Our query is , should we file APR from the Financial Year 2021-22 onwards ? or we should start filing</p>	<p>Please note that as per the condition number 7 of BLUT, Annual Performance Report (APR) should be filed after the commencement of production or service activities by the unit.</p> <p>In the given case we understand that the unit has not commenced operations prior to April 2022, hence the unit is not required to file APR for FY 21-22. If the unit is commencing operations from April 2022, it is required to file APR for FY 22-23 and onwards.</p>

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			APR from FY-2022-23 ? as LOA and date of commencement fall between two different Financial Years?	
46	S. Kalyani Rd MEPZ SEZ	EOU	While applying for the Interest Equalization Scheme in the DGFT portal, one of our EOU member was facing some issues. While applying through the portal, it is mandatory to fill the benefit taken by the unit. As of now they are not availing any benefits under any schemes. Kindly advise how to submit the application.	We would request the unit to kindly share the snapshots of DGFT portal where such issue is faced by the unit while applying for the interest equalization scheme. Further, in case the unit faces any hardship while filing said application on DGFT portal, grievance for the same can be raised on DGFT portal's dedicated helpdesk.
47	RAMANA Mobile: 9949437669	SEZ	Can you please confirm whether there is any separate approval from the BOA/MOC for "Real Estate Agent Service" for SEZ Developer and Units?	Please note that "Real Estate Agent Service" is not covered in default list of approved services. Further, as per Instruction no. 79 dated 19.11.2013, the approved list of services shall ordinarily be permitted by UAC unless anything to the contrary is noticed. Other services which are not included in the uniform list may be decided by UAC on merit. Hence, application for separate approval in relation to "Real Estate Agent Service" needs to be made to UAC.
48	Rucha Rajda Blume Ventures Mobile : +9768258198	SEZ	We are an AIF set up in GIFT city – operating from @ Signature Hiranandani. Had a query with respect to issue of units by AIF – As per amendment in July, 2020, all the AIF had to pay stamp duty to their respective states on issue/transfer of their units. Since we have set-up an AIF in GIFT SEZ, will the stamp duty be applicable on units issued by AIF operating from GIFT SEZ?	Ministry of Finance vide press release dated 30 June 2020 and as per SEBI guidelines, it was clarified that the AIF had to pay stamp duty to their respective states on issue, transfer or sale of their units. However, no stamp duty shall be chargeable in respect of transaction in stock exchange instruments and depositories established in any International Financial Services Centre (IFSC) set up under section 18 of the Special Economic Zones Act, 2005. Thus, in order to promote and develop the IFSC units in GIFT SEZ, the Government of India has exempted AIF units which are setup in GIFT SEZ from paying the stamp duty in respect of transactions carried out on IFSC exchanges. Therefore, we understand that there is no requirement to pay stamp duty on issue, transfer or sale of units.
49	Muniraj		In relation to below response, please clarify: 1. Is there any similar time limit under GST as well? 2. Whether IGST & interest is applicable even if company was	1. GST law also refers the provisions of FEMA for time period allowed for realization of export proceeds. 2. As per the provisions of CGST Act, 2017, the registered person need to discharge IGST along with applicable interest within 15 days after expiry of on year (or such further period as may be allowed by

S. No.	Details of EPCES Member	Category	Query from Member	Response by Grant Thornton
			able to realize subsequently (note: - condonation from GST commissioner is not availed, however necessary extension from AD Banker is secured. B) if answer to point 3(A) is yes then, interest needs to paid till which dated?	the Commissioner), if the payment is not received in convertible foreign exchange. We understand that if the Company has not applied to Commissioner for extension of period, the Company is liable to discharge IGST & interest amount. Further, interest on IGST would be calculated from the due date of the month in which such exports were made to the date of payment made.
50	Muniraj		<p>I would like to have an advice on Services which has been exported with 0% IGST upon execution of Letter of Undertaking with GST Department, however realization is pending.</p> <ol style="list-style-type: none"> 1. Is there any time limit within which we need to realize the export proceeds under GST. 2. What action needs to be taken from Company in case of pending export realization 3. Is there any IGST and interest implication in above cases. 	<ol style="list-style-type: none"> 1. As per FEMA Regulations, the time limit for realization of export proceeds is 9 months from the date of exports. 2. The unit can apply for extension to AD-1 banks. Extension by AD-1 banks can be given for 6 months at a time (which is subject to few conditions). Further, if the conditions are not fulfilled, then approval from RBI is to be obtained. 3. As per Rule 96A (1) (b) of CGST Rules, 2017, any registered person availing the option to supply goods or services for export without payment of integrated tax by furnishing a bond or a Letter of Undertaking (LUT) in FORM GST RFD-11 should be liable to pay tax along with the interest within a period of 15 days after the expiry of one year, or such further period as may be allowed by the Commissioner, from the date of issue of the invoice for export, if the payment of such services is not received by the exporter in convertible foreign exchange.
51	Mr. Tanvir Ansari Mobile: +91 9909941825 Pacific Maritime Pvt. Ltd.	SEZ	<p>We are a CHA for Brinks India Pvt. Ltd. Our client wants to transfer a POE switch from Gift city SEZ to their Chennai (DTA) unit. Below are the facts of the transaction and we need your advice on how to execute this transaction as per the SEZ norms?</p> <ol style="list-style-type: none"> 1. This switch Brinks Gift city has bought from a local tariff area without payment of GST 2. Now Brinks Gift city wants to transfer this switch to Brinks Chennai (DTA Unit) against the payment of GST 3. Both the units of Brinks have different GST numbers but the IEC number is the same 4. There is no process or anything was done at the Brinks Gift city, switch 	As per Rule 48(3) of SEZ Rules, 2006, "Where goods procured from Domestic Tariff Area by a Unit are supplied back to the Domestic Tariff Area, as it is or without substantial processing, such goods shall be treated as re-imported goods and shall be subject to such procedure and conditions as applicable in the case of normal re-import of goods from outside India. Provided that in the case where such goods are supplied back to the Domestic Tariff Area, as it is, and where the import duty on such goods is 'Nil' and while procurement of such goods no export benefits were allowed against such goods, the Unit may be allowed to supply back such goods to Domestic Tariff Area on the basis of invoice only and filing of Bill of Entry in such cases shall not be required" We understand that the unit wants to transfer the unused POE switches to its DTA unit, hence as per above mentioned rule the same shall

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			will be sent to Brinks Chennai in the same condition without any change or modification 5. As per the SEZ rules below provision is given, so we want to understand the precise formalities for the same to follow the same process to execute the movement. (6) Where the goods so procured from domestic tariff area by the zone unit are supplied back to the domestic tariff area as it is or without substantial processing, such goods shall be treated as re-imported goods and shall be subject to such procedure and conditions as applicable in the case of normal re-import of goods from outside India: Provided that in the case where such goods are supplied back to the domestic tariff area as it is and where the import duty on such goods is "Nil" and while procurement of such goods no export benefits were allowed against such goods, the zone unit may be allowed to supply back such goods to domestic tariff area on the basis of invoice only and filing of bill of entry in such cases shall not be required.	be considered as re-import of goods and will be cleared after filing of Bill of entry. Further, the proviso to said rule provides relaxation from filing of Bill of entry for those goods having Nil import duty. Accordingly, the Company needs to assess the applicable duty rate on said goods before such clearance.
52	PC Joy, AGM – Finance, Synthite Industries Pvt. Ltd.	EOU	We are planning to avail the storage facility within the territorial Jurisdiction of the original DC. It is just 3 KM away from the EOU facility and also in the same district. In such a scenario, BOA approval is required or not? Please confirm.	It is pertinent to note that if the warehouse is within the territorial Jurisdiction of the original DC, as per point 7 of Para 6.34 of FTP, jurisdictional DC/designated officer is required to be intimated, even though there is no change in other terms & conditions of LOP except change/addition of new location/warehouse.
53	Suresh Shah JYOTI IMPEX	EOU	Does Merchant exporter come under "Service sector" eligible for EOU scheme?	Please note that as per Para 6.00(a) of FTP, trading units are not covered under EOU scheme.
54	Suresh Shah JYOTI IMPEX	EOU	We are merchant exporter partnership firm based in Ghatkopar, Mumbai. Can you please let us know the procedure and eligibility for applying for EOU.	Please note that projects having a minimum investment of Rs.1 Crore in plant & machinery shall be considered for establishment as EOUs. However, this shall not apply to existing units, units in Handicrafts /Agriculture/ Floriculture/Aquaculture/Animal Husbandry/Information Technology, Services, Brass Hardware and Handmade jewellery sectors. BOA may allow establishment of EOUs

S. No.	Details of EPCES Member	Category	Query from Member	Response by Grant Thornton
				with a lower investment criterion. Further, application in Form ANF-6A is required to be submitted to BOA for obtaining the status of EOU. We are also enclosing EOU FAQ's for your kind reference.
55	PC Joy, AGM – Finance, Synthite Industries Pvt. Ltd.	EOU	Kindly note that our EOU division has a requirement to hire an additional warehouse for keeping our imported material for further processing in our EOU for value added exports. Due to the seasonal nature of the raw materials we are forced to import the materials in bulk during the season and keep it as a measure of business continuity. Due to the space constraints we are unable to keep such a large volume in our EOU premises. Hence, we are planning to hire a third-party Warehouse which is 3 KM away from our factory and it is dedicatedly intended to store the EOU materials only. We will take care of the GST requirement to register the W/H as an additional place of business. Kindly advise the other formalities to be complied with for registering the W/H as an additional storage place.	<p>In relation to your query in trail mail, we understand that the unit is occupying an additional warehouse outside the EOU unit for storage of imported raw material. From GST perspective the unit is required to add the same in its GST registration as additional place of business.</p> <p>Further, as per para 6.35 of FTP, if any EOU unit wants to change its location or wants to include additional location outside territorial jurisdiction of the original DC / Designated Officer, the same may be intimated to BOA for their approval.</p>
56	Kashish Bhatia Company Secretary and Assistant Vice President - Legal & Compliance	SEZ	Please note that we are have Registered AIF in the name of SMC IFSC Global Opportunities Fund and our main business is trading globally in Derivates. We have taken 2 office in GIFT i.e. one for Investment manager and second for Trust. Request you to kindly provide the clarity/guide us on the following: 1. What we should write in Exports, as we don't deal in goods and generating profits, if any, by trading activities; 2. What to be included in Imports, we have not purchased any goods out of India, also please note that we pay commission to the broker based out of India for trading activities; and 3. What all are included in definition	<p>Please find our responses below :</p> <ol style="list-style-type: none"> 1. Goods/Services exported from the unit. 2. Services received from outside India are required to be reported; and 3. Investments proposed and made (under both head FDI & Non-FDI) by the unit are required to be reported at the time of filing MPR i.e. total investment at the end of the reporting month and not the incremental investment made during the month.

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			of Investment as per SEZ regulation means that what we should covered under Investment for monthly report.	
57	Vannela Srinivas JM - Compliance GMR Hyderabad Aviation SEZ Ltd.	SEZ Dev.	<p>We are in process of submitting the Half yearly report i.e Form E through SEZ online portal. In this regard we have queries as mentioned below:</p> <ul style="list-style-type: none"> - Details of Authorized Operation approved by the Board - Shall be comply with the Instruction No. 50 Dated: 15th march 2010? - Area now in possession and future development plans (Hectare) - Can we mention the left-over land after allocating land to Units, roads, utilities, admin building & green area? - Details of Processing area developed - Should we include the Roads, Utilities Infrastructure and green area in this column? - Authorised Activity - What the information to be furnished? - % completion - What the information to be furnished? - Deadline for completion of balance activity - What the information to be furnished? 	<p>Please find our responses below:</p> <ul style="list-style-type: none"> - Details of Authorized Operation approved by the Board - Shall be comply with the Instruction No. 50 Dated: 15th march 2010? - Yes, your understanding is correct. - Area now in possession and future development plans (Hectare) - Can we mention the left-over land after allocating land to Units, roads, utilities, admin building & green area? - The details of area (in hectare) already developed needs to be reported here. - Details of Processing area developed - Should we include the Roads, Utilities Infrastructure and green area in this column? - Yes, the same should be included here. - Authorised Activity - What the information to be furnished – Details of authorized operations as mentioned above. - % completion - What the information to be furnished - % of area already developed. - Deadline for completion of balance activity - What the information to be furnished – Deadline/Timeline for developing remaining area.

DC WISE SECTOR WISE FY WISE MERCHANDISE EXPORT (6)

	Sector	Cochin		SEEPZ		Falta		Indore		Kandla		MEPZ		Noida		Vizag		Total FOB Value in USD Million
		FOB Value in Crs	FOB Value in USD Million	FOB Value in Crs	FOB Value in USD Million	FOB Value in Crs	FOB Value in USD Million	FOB Value in Crs	FOB Value in USD Million	FOB Value in Crs	FOB Value in USD Million	FOB Value in Crs	FOB Value in USD Million	FOB Value in Crs	FOB Value in USD Million	FOB Value in Crs	FOB Value in USD Million	
1.	Petrochemical	5162	701							182189	24690			21	3	637	86	25479
2.	Gems And Jewellery	511	70	26289	3571	873	118			20285	2751	12	2	4154	571	88	12	7095
3.	Pharma and Biotech	1488	201	6165	835			7260	986	8748	1187	249	34	450	61	22733	3084	6388
4.	Engineerings, Electronics and Hardware	2991	405	4603	624	411	55	1068	145	2398	325	14186	1925	3244	440	2836	385	4305
5.	Metals, Minerals, Alloys	43	6	4	0	23899	3240	128	17	10	1	252	34	342	47	4983	677	4023
6.	Trading And Services	101	14	2632	357	1635	221	375	51	3237	438	1201	163	450	61	527	72	1376
7.	Chemicals	341	46			5	1	163	22	7443	1010	48	7	15	2	1090	147	1235
8.	Food and Agro industry	1171	159	47	6	111	15	484	66	3355	456	17	2	117	16	2540	344	1064
9.	Textiles & Garments	226	31			323	44	3	0	1978	269	634	86	286	39	2164	294	762
10.	Leather, footwear and sports goods					9	1			11	2	3292	446	40	6	1199	163	617
11.	Plastic and Rubber	412	56			60	8	1500	203	934	127	140	19	212	29	18	2	444
12.	Perfumes, ;Fragrance & Cosmetics	2	0							2212	301	93	13	143	19			333
13.	Packaging			577	78	0	0	1	0	10	1	7	1	2	0			81
14.	Handicraft					1	0			66	9	0	0	463	63	12	2	74
15.	IT/ITES (Physical Exports)	104	14	25	3	0	0	0	0	8	1	191	26	5	1	42	6	51
16.	Energy including Captive, Solar	3	0			85	12			176	24					81	11	47
17.	Pharma Services	264	36	1	0					15	2					0	0	38
18.	Stationary									60	8	50	7	5	1	36	5	21
19.	Grand Total	12818	1739	40342	5475	27412	3715	10982	1491	233136	31601	20372	2764	9950	1358	38986	5288	53431



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