**List of key difficulties/suggestions pointed out by the EPCES EOU members in the implementation of EOU scheme**

1. Customs duty & IGST exemption on imports should be continued for EOUs on a long term basis for policy certainty rather than being extended for a short period again and again.
2. Bank guarantees exception is required for new registration of EOUs unit also. 25% is higher side on bond duty value. For new EOUs, requirement of BG for B-17 bond be exempted.
3. Seeking IGCRD for each year is complicated. EOU should give the IGCRD at least for 3 to 5 years or till the LOP is valid.
4. Standard process for B-17 Bond Re-Credit should be in place. Bond Register can be automated online. EOUs are importing duty free goods under IGCRD by executing Bond by replacing earlier method of Procurement Certificate. However, there is no provision to credit the Bond once the imported goods are exported back. This results in additional financial burden on units. The credit provision needs to be introduced to maintain correct spirit of Bond.
5. There is a need for simpler process for imports under IGCRD. EOUs have to file the list of items to be imported by giving projections of exact description and quantity. However, import is always driven by Customer order and there will always be changes. Most of the times, unit fell short of IGCRD quantity and in turn they have to pay the duties.
6. Customs duty payment on DTA sale should be allowed to remit anywhere based on the unit location
7. Circular 10/2018 needs to be followed effectively in all the ports including Free trade zones
8. There should be simple process of conversion from EOU Scheme to Manufacture & Other Operations in Warehouse (MOOWR) Regulations 2019. Currently, EOU Unit(s) willing to convert under the MOOWR Scheme, it shall be considered to be an exit of EOU Unit as per the provision of para 6.18 of FTP, subject to payment of applicable duties, taxes, if any. Then only the final de-bonding order is issued. Instead the conversion should be allowed without any payment of duty.
9. EOUs which are primarily exporting their products should be exempted from the DGFT Notification No.17/2015-2020 Date 5th September 2019 for Compulsory Registration under Steel Import Monitoring System. The Compulsory registration under Steel Import Monitoring System requires submission of details in advance earlier than 60 days and not later than 15 days of expected date of arrival of import consignments. Also, the need to obtain an automatic registration number paying a fee of Re.1/ thousands on CIF value and the notification issued in this regard is still in force. This requirement under SIMS increases compliance burden as well as additional expenditure towards registration fee.
10. There is a need to allow EOUs to do subcontracting /Job work for MOOWRs /DTAs/ EOUs/ SEZs as well without any restrictions. Job work permission for Domestic customers could be permitted in the similar manner to DTA sale. EOUs involved in Aerospace and Defence manufacturing being strategic sectors may specially be permitted to undertake Job work for select Defence PSUs like HAL, BEL, ISRO etc which will help boost the Atmanirbhar Program. Further, presently taking customs permission for job work (Subcontract) activity by EOUs is very cumbersome and time-taking as EOUs have to visit Customs Offices which are located 15-20 km away. Hence, Job work activity should be self-certified, and made auditable and in case intimation is required, the same should be permitted through email. In fact, since there is no duty benefit on local purchase, mandatory subcontracting permission needs to be abolished
11. There should be provision of online submission of documents, letters, approval, etc.
12. HBP Para 6.06 (C) (ii) states that imported tea should be utilised within a period of 6 months from the date of import. This time limit should be extended to 12 months from import date as the suppliers have some MOQ (Minimum Order Quantity) and EOUs face problems in having the entire quantity re-exported within the specified 6 months.
13. On many occasions, EOUs require to import or export certain items which have not been pre-listed in the submitted LUT but are related to the business. EOUs should be allowed to import & export any related items to their business, even when such items are not mentioned in the LUT submitted by EOUs. For example, sometimes tea accessories made of glass, porcelain, herbal infusions for mixing with tea or making direct packing & export of the imported herbal infusions are needed to be imported. However, as the Green Card indicates Export of Tea only, the above items are questioned by Port customs during export shipment. There should be additional provision in the LUT format to be submitted by EOUs to also indicate the “to be Exported items allowed” under subject scheme, irrespective of the item mentioned on the issued Green Card. An EOU may be permitted to export all kinds of goods and services except items that are prohibited in ITC (HS).
14. In terms Rule 96(10) of CGST Rules, units availing IGST exemption for procurement of inputs and capital goods are not eligible to get IGST refund against exports, even though they are not availing the IGST exemption for their export goods. However, it may be remembered that such units in the EOU sector who pay IGST on their exports and received refund are asked to pay back the IGST refund with interest, citing violation of Rule 96(10). This anomaly in the CGST rules may be rectified and it will be a big relief to the EOUs.
15. GST Refunds of Un-utilised ITC for EOUs should be streamlined.
16. Recently, the government introduced IGST on the ocean freight paid for export goods. Here also EOUs are not given any exemption and they have to pay IGST and take input credit. This is another strain on working capital as the money get blocked in the credit ledger.
17. Refund of accumulated GST due to inverted tax structure should be allowed to EOUs.
18. There is a need for issue of guidelines for making payment of Customs Duty against imported inputs used in DTA product. In the absence of these guidelines, the field formations are not aware of the process and units have to make concerned officer aware every time.
19. Although many of the EOU's are AEO status holder, the customs authorities undertake 100% examination of Goods at the time of Imports. This is against the spirit of AEO concept. Further, import containers should not be subject to open inspection as a routine by Customs in case of status holders as FTP Para 6.40(b) says "Status holder units shall be exempted from examination of import cargo at port of import."
20. There is a need to increase the limit of GR Waiver Procedures for Free Warranty Spares Supply under para 2.50 Export of Spares to INR 1,00,000/- from the current INR 25,000/-. EOUs are unable to supply Urgent Warranty Spares beyond INR 25,000/- without completing the GR Waiver Procedures (As per restrictions vide Circular23-RB/2000 under FEMA) even if the Equipment is under Break down at customer end.
21. The limit of 5% of FOB value of exports for procurement and export of spares / components under Para 6.01 (j) needs to be increased to 10%. With this change Capital Goods Manufacturers under EOU would be able to serve to their customers for the life time of supplied Capital Goods.
22. Procurement of spares / components, upto 10% of value of manufactured articles cleared into DTA, may be allowed to same consignee / buyer for the purpose of after sale-service. The same can be cleared in DTA on payment of applicable duty. With this change Capital Goods Manufacturers under EOU would be able to serve to their Domestic customers for the life time of supplied Capital Goods.
23. As per FTP para 6.13(d), group of EOUs are allowed transfer of goods and services on a case to case basis. EOU units should be allowed this transfer of goods and services to their own SEZ unit as well.
24. EOU to EOU sale may be allowed without GST.
25. In EOU, one has to decide well in advance the goods for which Basic Customs duty and IGST waiver is sought in addendum. This is a problematic in fast changing scenario in the current world and every day list of material to be imported changes drastically. Taking out addendum and preparing annexure letter takes at least 10-15 days. This is unfair as EOU unit has to charge additional duty when it sells the goods to DTA customer.
26. Currently EOU need to take re-export permission from Customs to re-export rejection. This needs to be changed to self-certification and documentation onus should be placed on assesse and can be verified during Audits.
27. Currently EOU need to take permission to de-bond Capital goods. This also needs to be self-certified, and unit can assess the depreciated value as per FTP norms and get this de-bonded by payment of applicable duties. This needs to be changed to self-certification and documentation onus should be placed on assesse and can be verified during Audits.
28. Currently EOUs are allowed a maximum of 2% as scrap. With ever growing requirements of high quality of product, the 2% scrap is very less and may be revised to 5%.
29. Currently Norms fixation is undertaken centrally at DGFT, New Delhi, which tends to take time and needs follow up. The responsibility be vested with DCs of SEZs who are empowered to release Adhoc Norms.
30. Currently there is lack of clarity on applicability of Norms fixed for Export Product manufactured by DTA unit if that unit converts to EOU and the export product remains the same with same input items. This should be clarified.
31. On imports, General Exemption as well as EOU notification should be allowed instead only EOU notification alone.
32. Port restriction on Import of Latex for EOU / SEZ / Advance license users should be removed to save inland freight, container damage and risk factor.
33. Similar provision of intimation through email be allowed for Duty free material imported by EOUs,
34. There is a need for clarification on the procedural aspect while removing the used capital goods from EOU to DTA unit. Currently, the FTP law requires only intimation while removing the used capital goods on payment of duty. However, Customs officer insist on prior permission.
35. There is a need for clarification on removal of manufactured scrap from one EOU to another. SEEPZ authorities are questioning the removal of manufactured scrap from one EOU to another which is allowed as per Chapter 6 of FTP.