

F.No.305/151/2001-FTT

Government of India

Ministry of Finance

Department of Revenue

(Central Board of Excise and Customs)

Sub:- DTA Clearance of Goods Procured by EOUs/EPZ/SEZ/EHTP/STP units from Indigenous Sources- Charging of Duty-Regarding

I am directed to invite your attention to the above subject and to say that a doubt has been raised regarding payment of duty on DTA sale of those goods in respect of which deemed export benefits have been availed of and which are transfer/sold back to the DTA by the EOUs/EPZ/SEZ/EHTP/STP units.

2. As per the provisions of Export and Import Policy, the EOU(s) and units in EPZ/SEZ/EHTP/STP procure goods from indigenous sources without payment of duty for the purposes of manufacture of goods for exports. The supplies by DTA units to EOUs/EPZ/EHTP/STP/SEZ units are treated as deemed exports and in such cases the DTA supplier or the EOUs/EPZ/EHTP/STP/SEZ units, on production of suitable disclaimer from the DTA supplier, avail of deemed export benefits viz. deemed export drawback and refund of terminal excise duty as specified under 10.3(b) and 10.3(c) of the said policy respectively or advance licence for intermediate supply under para 10.3(a). These deemed export benefits are extended on the principle that the goods are ultimately used in the manufacture of finished products, which are subsequently exported.

3. It is noticed that in some cases, especially in case of failure to utilise the goods or at the time of de-bonding etc., the EOUs/EPZ/SEZ/STP/EHTP units clear such goods back to DTA on payment of normal central excise duty. However, the deemed export benefits, which are availed of by the DTA supplier or the EOU/EPZ/STP/EHTP/SEZ unit on production of suitable disclaimer from the DTA unit against the goods are not recovered on such goods. This results in a net loss of revenue to the exchequer.

4. The matter has been examined by the Board in consultation with the Ministry of Commerce. It has been decided that in case raw materials/capital goods etc procured from indigenous sources by EOUs/EPZ/STP/EHTP/SEZ units are transferred/sold back into DTA except for the purpose of replacement, the deemed export benefits already availed of against such goods shall be required to be refunded back. The deemed export benefits shall be deposited through TR in the authorised branch of Central Bank of India on the "Head of Account - 1453, Foreign Trade and Export Promotion Minor Head - 102". The units would thus be allowed to clear domestically procured goods back into DTA only on production of a certificate from the jurisdictional Development Commissioner to the effect that the deemed export benefits availed of against such goods at the time of their procurement have been paid back. In cases, where no deemed export benefits have been availed of at the time of procurement of such goods by EOUs/EPZ/STP/EHTP/SEZ units, a certificate to this effect from the jurisdictional Development Commissioner shall be produced.

5. In all cases of DTA clearance of indigenously procured goods by EOUs/EPZ/STP/EHTP/SEZ units including SEZ trading units, the above laid down procedure shall be complied with. Difficulties, if any, faced in the implementation of the above instructions, may be brought to the notice of the Board at an early date.

Kindly acknowledge receipt of this Circular.