

Government of India
Ministry of Commerce and Industry
Department of Commerce
Directorate General of Foreign Trade
Udyog Bhawan, New Delhi

Dated 20th July, 2016

To Trade Notice No 10/2016

All RA's
Members of Trade

Subject: Closure of EPCG authorizations in case of supplies to SEZ units which have been made prior to 01.4.2015 and where exports proceeds have not been realized through Foreign Currency Account (FCA) of the SEZ unit.

Attention is invited to Para 5.7.2 of HBP 2009-14, Para 5.7.2 of HBP 2004-09 (RE: 2008) and the relevant Paras of the earlier policies Para 5.7.2 stipulates as under

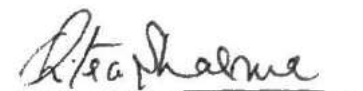
"Export proceeds shall be realized in freely convertible currency except for deemed exports. Exports to SEZ units/Supplies to developers / Co-developers, irrespective of currency of realization would also be counted for discharge of Export obligation".

2. The matter has been examined. It is reiterated that, Para 5.7.2 of HBP 2009-14 read with relevant Paras of earlier policies did not stipulate that DTA units supplying goods under EPCG scheme to SEZ units had to realise payment from Foreign Currency Account (FCA) of SEZ unit, for discharge of Export Obligation. Moreover Rule 30 (8) of SEZ Rules, 2006 do not stipulate that it is mandatory for SEZ units to make payment to EPCG authorisation holders from Foreign Currency Account (FCA) of the unit.

3. It has been decided, in consultation with SEZ Division of Department of Commerce, that closure / redemption / EODC may be allowed in cases where EPCG authorisation holder has made supplies to SEZ units and has not realised the proceeds from the Foreign Currency Account (FCA), in case of supplies which have been made prior to 1.4.2015.

4. However, it is further clarified that Para 5.11 of HBP 2015-20 under the current FTP provides that exports to SEZ units /supplies to developers /co-developers shall be taken in to account for discharge of EO provided payment is realised from Foreign Currency Account of the SEZ unit. Hence condition of Para 5.11 of HBP 2015-20 shall have to be complied in respect of EPCG authorisations issued under FTP 2015-20. Para 5.11 of HBP shall also be applicable in respect of EPCG authorizations issued under the earlier policies but where exports have been made on or after 01.04.2015 or payments have been realised after 31.03.2015.

5. This issues with the approval of Director General of Foreign Trade.


(Chitra Sharma)

Dy. Director General of Foreign Trade

(Issued from F. No. 18/191/AM-16/Policy-5)