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भाग II—खण्ड 3—उप-खण्ड (i)

PART II—Section 3—Sub-section (i)

प्राधिकार से प्रकाशित

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NEW DELHI, FRIDAY, SEPTEMBER 21, 2018/BHADRA 30, 1940

MINISTRY OF COMMERCE AND INDUSTRY
(Department of Commerce)
NOTIFICATION

New Delhi, the 19th September, 2018

G.S.R. 909(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. **Short title and commencement.**—(1) These rules may be called the Special Economic Zones (Amendment) Rules, 2018.

(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 2, in sub-rule (1), clauses (k) and (l) shall be omitted.

3. In the said rules, in rule 3, after the words “State government’s recommendation”, the following words shall be inserted, namely:-

“, recommendation for National Security Clearance as per guidelines issued by the Ministry of Home Affairs”.

4. In the said rules, in rule 4, for the word “along”, the words “through the jurisdictional Development Commissioner concerned along” shall be substituted.

5. In the said rules, in rule 5, -

(i) in sub-rule (2), in clause (b), in sub-clause (ii), after the words “for setting up a Special Economic Zone for Information Technology or Information Technology Enabled Services”, the words “Bio-technology and Health Sector (excluding hospitals),” shall be inserted;

(ii) in sub-rule (5), in clause (a), after the words “State and local taxes”, the words “State Goods and Services Tax,” shall be inserted.

6. In the said rules, in rule 11, -

(i) in sub-rule (2), in the first proviso, for the words “Board”, the words “Approval Committee” shall be substituted;

(ii) after sub-rule (9), the following sub-rule shall be inserted, namely: -

“(9A) The Developer shall ensure sufficient and adequate space, as per the applicable Central Public Works Department norms, for the Office of Development Commissioner and Customs Officers posted in the Special Economic Zone.”.

7. In the said rules, in rule 11A, in clause (1), -

(i) for the words “Service Tax”, the words “Central Goods and Services Tax, Integrated Goods and Services Tax and State Goods and Services Tax” shall be substituted;

(ii) in sub-clause (b), after the words “stamp duty”, the words “State Goods and Services Tax,” shall be inserted.

8. In the said rules, in rule 12, -

(i) in sub-rule (6), after the words “utilization of goods”, the words “and services” shall be inserted;

(ii) in sub-rule (7) for the words “goods from an Independent Chartered Engineer” the words “goods and services from an Independent Chartered Engineer or Independent Chartered Accountant or Cost Accountant as the case may be” shall be substituted.

9. In the said rules, in rule 17, in sub-rule (1),-

(i) the words “in five copies” shall be omitted;

(ii) for clause (k), the following clause shall be substituted, namely:-

“(k) Goods and Services Tax registration certificate;”

10. In the said rules, in rule 18,-

(i) in sub-rule (2), in clause (i), for the words and figures “as provided in rule 53”, the words and figures “, value addition earning requirement, as the case may be, as provided in rule 53” shall be substituted;

(ii) in sub-rule (3),-

(A) for clause (a), the following clause shall be substituted, namely:-

“(a) export of the goods from Special Economic Zones shall be subject to export policy in force, as provided in Schedule 2 to the Indian Trade Classification (Harmonised System) of Export and Import Items, 2017;”;

(B) for clause (b), the following clause, shall be substituted, namely:-

“(b) for Gems and Jewellery, the minimum Value Addition earning requirement shall be as specified in the prevailing Foreign Trade Policy or Handbook of Procedures, as amended from time to time.”;

(iii) after sub-rule (4), the following shall be inserted, namely:-

“(4A) for existing plastic or used clothing Units in Special Economic Zones:-

(a) Broad banding and splitting of license for setting up of sub-Units shall not be allowed and all transactions of a Unit shall be regulated through a single bank account;

(b) no third party exports shall be allowed by any such Unit;

(c) all such Units shall set up facilities to make products out of used clothing or plastic waste;

(d) 100 per cent. inspection of the consignment of used clothing sale to Domestic Tariff Area shall be under taken.

(4B) Procedure to be followed for verification of documents prior to clearing the consignment in Special Economic Zone :- (a) Each consignment of used clothing imported by the Unit shall be accompanied with certificate from exporter or agency in which it was generated regarding dis-infection and fumigation of the containers from an agency licensed in the country of origin of worn clothing along with import documents;

(b) in case of mis-declaration by any importer in regard to any toxic or hazardous substances, action as per the relevant provisions of the Foreign Trade (Development and Regulation) Act, 1992 (22 of 1992) shall be taken against such importer;

(c) to ensure that used clothing re-processing Units in Special Economic Zones fulfil their export obligations in addition to meeting their Net Foreign Exchange obligation and all such Units shall be required to ensure that certain minimum percentage of the Units annual turnover is physically exported out of the country;

(d) before the clearance of used clothes to Domestic Tariff Area, all imported consignments of such used clothes shall be subject to 100 per cent. scrutiny at the premises of the Unit by Special Economic Zone authorities.”.

11. In the said rules, in rule 19, in sub-rule (2), -

(a) after the words “shall specify the items of manufacture”, the words “along with the corresponding Indian Trade Classification (Harmonised System) of Export and Import Items, 2017” shall be inserted;

(b) after the third proviso, the following proviso shall be inserted, namely:-

“Provided also that the Approval Committee may also approve proposals for merger of Letters of Approval of two or more Units of the same company or firm subject to the condition that these Units fall within the same Special Economic Zone and after merger, block period for calculation of Net Foreign Exchange shall be from the date of commencement of production of the Unit which commenced operation first and the Income tax exemption period shall be considered from the date of start of operation of the first Unit.”;

(c) after sub-rule (6), the following shall be inserted, namely: -

“(6A)(1) The Units which intend to renew the validity of Letter of Approval shall submit, before two months from the date of expiry of the Letter of Approval, the completed application in form F1 along with requisite document, to the Development Commissioner, duly signed by the proprietor or managing partner or if it is a company, by the Managing Director or the Director(s) or any person who has or have been duly authorised for this purpose by a resolution of the Board of Approval of Directors of the Company:

Provided that in case an application is not submitted before the said period of two months, such application shall be placed before the Approval Committee and the said Committee, if it is satisfied that there was sufficient cause for not filling the same before the said period, may direct for entertainment of such application.

(2) in case of non-compliance of the procedures specified in clause (1), the Letter of Approval shall not be considered for renewal.

(3) the Development Commissioner may renew the Letter of Approval for a period of five years or for a shorter period, in form F 2, based on the evaluation of the Unit as per sub-rule (6B):

(6B) The renewal of Letter of Approval shall be based on the evaluation of the following criteria, namely:-

(i) Export performance of the Unit in the last block *vis-a-vis* the initial export projection submitted by the Unit.

(ii) Projected employment with reference to actual employment generated.

- (iii) Instance of violation of applicable statutes related to the functioning of the Unit.
 - (iv) Cases of default, if any, of statutory payments.
 - (v) Undertaking of any activity not sanctioned or approved by the Development Commissioner.
 - (vi) The decision of the Development Commissioner or Approval Committee in this regard shall be final and binding on the Unit except in cases where the Unit prefers an appeal before the Board of Approval, in accordance with rule 55.”.
12. In the said rules, in Chapter IV, for the Chapter heading, the following Chapter heading shall be substituted, namely:-
- “TERMS AND CONDITIONS FOR GRANT OF PERMISSION TO OPERATE INCLUDING AVAILING EXEMPTIONS, DRAWBACKS AND CONCESSIONS”.
13. In the said rules, in rule 22, -
- (i) in sub-rule (1), -
 - (a) after the words “Grant of”, the words “permission to operate including availing” shall be inserted;
 - (b) in clause (ii), after the word “contractor”, the words “including the sub-contractor” shall be inserted;
 - (c) in clause (iv),-
 - (A) in sub-clause (b), -
 - (a) after the words “on import or procurement” occurring at both the places, the words “of goods and services” shall be substituted;
 - (b) after the words “packing materials”, the words “and services” shall be inserted;
 - (B) in sub-clause (c), after the words “additional goods” the words “and services” shall be inserted;
 - (ii) in sub-rule (2), for the words “and such accounts”, the words “either in register form in hard copy or time stamped digital form, ” shall be substituted.
14. In the said rules, in rule 24, in sub-rule (1), -
- (i) the words “and Duty Entitlement Passbook credit” shall be omitted;
 - (ii) in clause (a), -
 - (A) after the words “Bill of Export”, the words “or a similar equivalent document as in case of export specified under Goods and Services Tax laws,” shall be inserted;
 - (B) in the proviso, for the words and figures “Customs and Central Excise Duties Drawback Rules, 1995”, the words and figures “Customs and Central Excise Duties Drawback Rules, 2017, as amended from time to time” shall be substituted;
 - (iii) sub-clause (b) shall be omitted;
 - (iv) for sub-rule (2), the followings shall be substituted, namely:-

“(2)Where a Bill of Export has been filed under a claim of drawback or any other similar scheme laid down under the Customs and Central Excise Duties Drawback Rules, 2017, as amended from time to time, the Unit or Developer shall claim the same from the Specified Officer and in case the Unit or Developer does not intend to claim such benefit, a disclaimer to this effect shall be given to the Domestic Tariff Area supplier for claiming such benefits:

Provided that the aforesaid benefits may be claimed by Domestic Tariff Area supplier from their jurisdictional Goods and Services Tax or Central Excise Commissioner, as the case may be.

(3)Drawback or any other similar benefit under the Customs and Central Excise Duties Drawback Rules, 2017, as amended from time to time, against supply of goods by Domestic Tariff Area supplier shall be admissible where payments for the supply are made from the Foreign Currency Account of the Unit:

Provided that the reimbursement of duty in lieu of drawback or any other similar benefit scheme against supply of goods by Domestic Tariff Area supplier to Special Economic Zone developers shall be admissible even if payment is made in Indian Rupees and reimbursement of duty in lieu of drawback or any other similar benefit against supply of goods to Special Economic Zone developer

shall be made as per the procedure specified by the Central Government under the Customs and Central Excise Duties Drawback Rules, 2017, as amended from time to time.”.

15. In the said rules, in rule 25,-

(a) for the words, figures and brackets “the Central Sales Tax Act, 1956, the Foreign Trade (Development and Regulation) Act, 1992 and the Finance Act, 1994 (in respect of service tax)”, the words, figures and brackets “the Central Goods and Services Tax Act, 2017 (12 of 2017), Integrated Goods and Services Tax Act, 2017 (13 of 2017), State Goods and Services Tax Acts, Union Territory Goods and Services Tax Act, 2017 (14 of 2017) and the Foreign Trade (Development and Regulation) Act, 1992 (22 of 1992)” shall be substituted;

(b) in the proviso, for the words “such entrepreneur shall be liable”, the words “or stipulated Value addition, such entrepreneur shall also be liable” shall be substituted.

16. In the said rules, in rule 26, -

(i) in the fourth proviso, for the words “iron-ore” the words “or supply from Domestic Tariff Area, of any ore” shall be substituted;

(ii) after the fourth proviso, the following provisos shall be inserted, namely:-

“Provided also that Special Economic Zone Units shall be permitted to export prohibited items, if they import raw-material for the same, but each such case shall be placed before Board of Approval for approval:

Provided also that items which are prohibited for import, Special Economic Zone Units shall be permitted to import the same if they export goods made out of the same but each such case shall be placed before Board of Approval of Approval for approval.”

17. In the said rules, in rule 27, -

(i) in sub-rule (1), -

(a) after the words “Bio-technology Park Unit”, the words “ or warehouse”, shall be inserted;

(b) in the first proviso, after the word “contractors”, the words “including sub-contractors” shall be inserted;

(c) after the third proviso, the following provisos shall be inserted, namely:-

“Provided also that for supply of Restricted Items by a Domestic Tariff Area Unit to Special Economic Zone Developer or Unit, the Domestic Tariff Area Unit may supply such items to a Special Economic Zone Developer or Unit for setting up infrastructure facility or for setting up of a Unit and it may also supply raw material to Special Economic Zone Unit for undertaking a manufacturing operation except refrigeration, cutting, polishing and blending, subject to the prior approval of Board of Approval:

Provided also that supplies from Domestic Tariff Area to Special Economic Zones shall attract export duty, in case, export duty is leviable on items attracting export duty.”;

(ii) in sub-rule (3), -

(a) after the words “The import of”, the words “and domestic procurement” shall be inserted ;

(b) for the words “Board and import” the words “Approval Committee and import and procurement of goods from Domestic Tariff Area” shall be substituted.

18. In the said rules, in rule 30, -

(a) for sub-rule (1), the following sub-rule shall be substituted, namely: -

“(1) The Domestic Tariff Area supplier supplying goods or services to a Unit or Developer shall clear the goods or services, as in the case of zero-rated supply as per provisions of section 16 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017) either under bond or legal undertaking or under any other refund procedure permitted under Goods and Services Tax laws or Central Excise law, or as duty or tax paid goods under claim of rebate, on the cover of documents laid down under the relevant Central Excise law for the purpose of export by a manufacturer or supplier.”;

(b) in sub-rule (2), -

(i) after the word “Goods”, the words “or services” shall be inserted;

(ii) for the words “Central Excise Duty”, the words “Goods and Services Tax or” shall be substituted;

(iii) for the letters and figures “ARE-I”, the words, brackets and figures “documents referred to in sub-rule (1) of

Rule 30” shall be substituted;

(c) in sub-rules (3), (4) and (7), for the letters and figures “ARE-I”, the words, brackets and figures “documents referred to in sub-rule (1) of Rule 30” shall be substituted;

(d) for sub-rule (4), the following sub-rule shall be substituted, namely: -

“(4) A copy of the document referred to in sub-rule (1) or copy of Bill of Export, as the case may be, with an endorsement by the authorised officer that goods have been admitted in full into the Special Economic Zone shall be treated as proof of export and a copy with such endorsement shall also be forwarded by the Unit or Developer to the Goods and Services Tax or Central Excise Officer having jurisdiction over the Domestic Tariff Area supplier within forty-five days failing which the Goods and Services Tax or Central Excise Officer, as the case may be, shall raise demand of tax or duty against the Domestic Tariff Area supplier;

(e) sub-rules (5), (8) and (9) shall be omitted;

(f) in sub-rule (11), after the words “drawbacks and” occurring at both the places, the words “any other such benefits or” shall be inserted.

19. In the said rules, rules 31 and 32 shall be omitted.

20. In the said rules, in rule 34, for the proviso, the following proviso shall be substituted, namely: -

“Provided that in case a Unit is unable to utilise the goods or services imported or procured from Domestic Tariff Area, it may, -

- (i) export the goods; or
- (ii) sell the same to other Unit or to an Export Oriented Unit or Electronic Hardware Technology Park or Software Technology Park or Bio Technology Park, without payment of duty; or
- (iii) sell to an Export Oriented Unit or Electronic Hardware Technology Park or Software Technology Park or Bio Technology Park -
 - (a) on payment of Integrated Goods and Services Tax as applicable under section 5 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017); and
 - (b) without payment of duty of customs leviable thereon under the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) and additional duty, if any, leviable thereon under sub-sections (1), (3) and (5) of section 3 of the said Act and such sale shall also be made without payment of integrated tax and compensation cess leviable thereon under sub-sections (7) and (9) of section 3 of the said Act as per notification issued by the Department of Revenue and such exemptions, as applicable;
- (iv) dispose of the same in the Domestic Tariff Area on payment of applicable duties or taxes on the basis of an import licence submitted by the Domestic Tariff Area buyer, wherever applicable.”.

21. In the said rules, in rule 37, in the marginal heading, the words “or services” shall be omitted.

22. In the said rules, in rule 41,-

(i) in sub-rule (1), in clause (h), after the words “Central Excise Officer”, the words “ or Central Tax Officer” shall be inserted;

(ii) in sub-rule (2), after clause (b), the following clause shall be inserted, namely:-

“(c) in case of sub-contracting abroad, the goods shall either be returned to the Unit or may be sold to buyers in that country or any third country.”.

23. In the said rules, in rule 42, -

(i) in sub-rule (1), in clause (ii), in sub-clause (b), for the words “Central Excise”, the words “Goods and Services Tax” shall be substituted;

(ii) in sub-rule (2), -

(a) in clause (i), for the words “ with the Central Excise Department”, the words “under Goods and Services Tax” shall be substituted;

(b) in clause (v), the proviso shall be omitted;

(iii) in sub-rule (3), for the words “duty as if the said waste or scrap or remnants have been cleared by the Unit or may be destroyed at the sub-contractor’s premises in the presence of jurisdictional Central Excise Officer if the sub-contractor is a Central Excise registrant”, the words “an amount equal to the duty applicable on imports as if the said waste or scrap or remnants have been cleared by the Unit or may be destroyed at the sub-

contractor's premises in the presence of jurisdictional Goods and Services Tax Officer if the sub-contractor is a Goods and Services Tax registrant" shall be substituted.

24. In the said rules, in rule 43, after clause (d), the following proviso shall be inserted, namely: -

"Provided that, -

(i) only employees temporarily in-capacitated, employees travelling and off-site employees of Special Economic Zones may be permitted to work from home or from place outside the Special Economic Zone subject to the following conditions, namely:-

(a) the person shall be an employee of the Special Economic Zone Unit;

(b) the person shall carry out the work related to a project of the Special Economic Zone Unit;

(c) the Unit shall ensure export revenue of the resultant products or services to be accounted for by the Special Economic Zone Unit to which the employee is tagged and in no case the export of services, involving work from home, shall be made from outside the Special Economic Zone Unit.

(ii) Information Technology and Information Technology enabled Services Units in Domestic Tariff Area shall carry out their job-work in a Special Economic Zone Unit by following the procedure as laid down in item (i).

(iii) For the purpose of work from home, Special Economic Zone Unit shall provide laptop or desktop and secured connectivity viz., VPN, VDI etc. to establish a connection between the employee and the work related to the project of the Special Economic Zone Unit.

(iv) Once the employee ceases to be part of the project of Special Economic Zone Unit, the employee shall be untagged from the respective Special Economic Zone Unit and the Unit shall surrender the permanent Identity-Card issued in Form K to the Specified Officer as per sub-rule (2) of rule 70.

(v) For Special Economic Zone Units registered as Other Service Providers with Department of Telecommunication and availing the benefit of work from home, the laid down Other Service Providers guidelines issued by that Department as amended from time to time, shall be followed by the Special Economic Zone Units."

25. In the said rules, in rule 46, -

(i) in sub-rule (1), -

(a) in clause (a), in the proviso, for the words and letters "in respect of export value up to US\$ twenty five thousand or for export value as may be notified by the Reserve Bank of India, from time to time;", the words "for export value as may be notified by the Reserve Bank of India, from time to time;" shall be substituted;

(b) in clause (c), after the words "self-certification by the Unit", the words " , however, in case Merchandise Exports from India Scheme benefit is claimed then examination of export cargo shall be done as per examination norms set by Central Board of Indirect Taxes and Customs" shall be inserted;

(ii) in sub-rule 11, the word "pink" shall be omitted;

(iii) in sub-rule (12), -

(a) for clause (i), the following clause shall be substituted, namely:-

"(i) the receiving Export Oriented Unit or Electronic Hardware Technology Park Unit or Software Technology Park Unit or Biotechnology Park Unit shall file Bill of Entry for home consumption, in quintuplicate along with invoice, copy of information as provided to jurisdictional customs officer under rule 5 of the Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 and packing list with the Authorised Officer along with copy of the Letter of Approval and bonding licence;"

(b) in clause (iii), for the words "submit the re-warehousing certificate", the words, figures and letters "follow the procedure laid down by the Central Board of Indirect Taxes and Customs in terms of Customs Notification no. 44/ 2016-Customs dated 29th July, 2016 published in the Official Gazettee vide Notification S.O. 2566 (E) dated 29th July, 2016 and submit the documents specified therein" shall be substituted;

(iv) in sub-rule (13), -

(a) for the words "Central Excise", wherever it occurs, the words "State Tax Officer or Central Tax Officer" shall be substituted;

(b) in clause (ii), for the words "warehousing Bill of Entry" the words "Bill of Entry for Home

Consumption” shall be substituted;

(c) in clause (iii), for the words “re-warehousing certificate”, the words, brackets, letters and figures “as per procedures laid down under clause (iii) of sub-rule (12) of rule 46” shall be substituted.

26. In the said rules, in rule 49, after the words “payment of duty”, the words “or Integrated Goods and Services Tax” shall be inserted.

27. In the said rules, in rule 50, after the word “duty”, the words “and Integrated Goods and Service Tax” shall be inserted.

28. In the said rules, for rule 53, the following rule shall be substituted, namely:-

“53. Net Foreign Exchange Earnings. — The Unit shall achieve Positive Net Foreign Exchange to be calculated cumulatively for a period of five years from the commencement of production according to the following formula, namely:—

Positive Net Foreign Exchange = A - B > 0

Where, —

A : is Free on Board of Approval value of exports, including exports to Nepal and Bhutan against freely convertible currency, by the Unit and the value of following supplies of their products, manufactured in the Special Economic Zone and the value of the services (excluding traded goods), namely:—

- (a) supply of goods against Advance Authorisation or Advance Authorisation for annual requirement or Duty Free Import Authorisation under the Duty Exemption or Remission scheme under the Foreign Trade Policy;
- (b) supply of capital goods to holders of licence under the Export Promotion Capital Goods Scheme under the Foreign Trade Policy;
- (c) supply of goods to projects financed by multilateral or bilateral agencies or funds as notified by the Department of Economic Affairs, Ministry of Finance, from time to time, under International Competitive Bidding in accordance with the procedures of those agencies or funds, where the legal agreements provide for tender evaluation without including the customs duty;
- (d) supply of goods to any project or for any purpose in respect of which the Ministry of Finance notifies from time to time, permitting import of such goods at zero customs duty subject to conditions specified in the above said notification provided the supply is made under procedure of International Competitive Bidding;
- (e) supply of goods to United Nations or International Organisations for their official use or supplied to the projects financed by the said United Nations or an International Organisation approved by Government of India and the list of such organisations and conditions applicable to such supplies is notified by Ministry of Finance from time to time;
- (f) supply of goods to nuclear power projects provided they are as per the conditions stipulated in Foreign Trade Policy;
- (g) supply against special entitlements of duty free import of goods under the Foreign Trade Policy;
- (h) export of services by services Units including services rendered within Special Economic Zone or such services rendered in Indian Rupees which are otherwise considered as having been paid for in free foreign exchange by the Reserve Bank of India;
- (i) supply of Information Technology Agreement items and notified zero duty telecom or electronic items, namely, Colour Display Tubes for monitors and Deflection components for colour monitors or any other items as may be notified by the Central Government;
- (j) supply to other Units and Developers in the same or other Special Economic Zone or Export Oriented Unit or Electronic Hardware Technology Park or Software Technology Park Unit or Bio-technology Park Unit provided that such goods and services are permissible for import or procurement by such Units and Developers;
- (k) supply of goods against free foreign exchange by a Free Trade and Warehousing Zone Unit.

Explanation. - For removal of doubts, it is hereby clarified that the supplies under clause (j) shall be against procurement certificate, as applicable and the supplies under clauses (d) to (g) shall be as per the terms and conditions of the respective duty exemption as notified by the Central Government, in the Ministry of Finance.

B : consists of sum of the following—

(a) sum total of the Cost Insurance and Freight value of all imported or indigenous inputs used for authorised operations during the relevant period and the Cost Insurance and Freight value of all imported capital goods including goods purchased on high seas basis even though paid for in Indian Rupees and the value of all payments made in foreign exchange by way of export commission, royalty, fees, dividends, interest on external commercial borrowings during the first five year period or any other charges;

(b) value of goods obtained from other Unit or Export Oriented Unit or Electronic Hardware Technology Park or Software Technology Park Unit or Bio-technology Park Unit or from bonded warehouses or procured from international exhibitions held in India or precious metals procured from nominated agencies;

(c) the Cost Insurance Freight value of the goods and services, including pro-rata Cost Insurance Freight of capital goods, imported duty free or leased from a leasing company or received free of cost or on loan basis or on transfer for the period they remain with the Unit.

Explanation. - For the purposes of clause (a), the expression “inputs” mean raw materials, intermediates, components, consumables, parts and packing materials;

(d) for annual calculation of Net Foreign Exchange, value of imported capital goods and lump sum payment of foreign technical know-how fee shall be amortised at the rate of ten per cent. every year from the first year to the tenth year;

C: Gems and Jewellery Units shall achieve minimum Value Addition as laid down in prevailing Foreign Trade Policy or Hand Book of Procedures:

Provided that the Nominated Agencies working as a service Unit for precious metals supply within Special Economic Zone shall be subjected to the requirement of positive Net Foreign Exchange only; and

D: For Gems and Jewellery, the minimum Value Addition shall be in terms of prevailing Foreign Trade Policy or Hand Book of Procedures and it shall be calculated as under:-

$$VA = \frac{A-B}{B} \times 100$$

Where, -

A = Free on Board value of the export realised or Freight on Road and Rails value of supply received;

B = Value of inputs (including domestically procured) such as gold or silver or platinum content in export product plus admissible wastage along with value of other items, such as gemstone etc. wherever gold has been obtained on loan basis, value shall also include interest paid in free foreign exchange to foreign supplies.”;

Provided that where a Unit is unable to achieve Net Foreign Exchange due to adverse market conditions or any ground of genuine hardship having adverse impact on functioning of the Unit, the five years block period for calculation of Net Foreign Exchange earnings may be extended by the Board of Approval for a further period of upto one year, on a case to case basis.”.

29. In the said rules, in rule 54, in sub-rule (2), after the words “Net Foreign Exchange Earning,” the words and figures “or stipulated Value Addition as specified in rule 53” shall be inserted;

30. In the said rules, in rule 74, after sub-rule (5), the following sub-rule shall be inserted, namely:-

“(6) The Unit opting out from Special Economic Zone shall execute a legal undertaking in Form L.”.

31. In the said rules, in rule 74A, in clause (i), after the words “lease of land”, the words “or Standard Design Factory” shall be inserted.

32. In the said rules, in rule 75, the following proviso shall be inserted, namely: -

“Provided that all the consignments of Special Economic Zone shall be subject to a risk management system.”.

33. In the said rules, after the rule 79, the following rule shall be inserted, namely:-

“80 If an Special Economic Zone Unit, in case of *bona fide* default, fails to achieve the minimum specified Net Foreign Exchange or specified value addition, then such shortfall may be regularised after the Unit deposits an amount equal to one per cent. of shortfall in Free on Board of Approval Value.”.

34. In the said rules, after Form F, the following Forms shall be inserted, namely:-

“FORM F1

LETTER OF APPROVAL RENEWAL APPLICATION FORM

(See rule 19(6A)(1))

Application for renewal of Letter of Approval for the block of five years under sub-rule (6A) of rule 19

PART I

Sl. No.	Particulars	
1.	Name of Unit and full address in Special Economic Zone	
2.	Full address of Registered Office	
3.	Telephone/Fax Nos:	
4.	Permanent E-Mail address	
5.	Original Letter of Approval No. and Date	
6.	Date of renewal of Letter of Approval, if any	dd/mm/yyyy
7.	Date of commencement of production	dd/mm/yyyy
8.	Date of expiry of Letter of Approval	dd/mm/yyyy
9.	ID and date of application for renewal of LOA filed in SEZonline-ndml.com	
10.	Income Tax Permanent Account Number	
11.	Constitution of the Application Firm (Tick the appropriate entry)	Public Ltd/ Private Ltd/ Partnership/ Proprietorship/ Others

PART II

Activity of Unit		Existing	Proposed for the renewed period
1.Item of Manufacture/service activity (including by product/co-products)			
2.Investment in Capital Goods (in Rs. Lakhs)	Indigenous		
	Import		
3.Investment in Raw Materials (in Rs. Lakhs)	Indigenous		
	Import		
4.Employment	Men		
	Women		

FOREX Balance Sheet for the current block (Rs. in Lakhs)

Sl. No.	Items	1 st	2 nd	3 rd	4 th	5 th	Total
1.	Free on Board value of Exports in first 5 years						
2.	*Foreign Exchange Outgo on for the first five years						
3.	Net Foreign Exchange earnings for the first five years (1-2)						

FOREX Balance Sheet proposed for next block (Rs. in Lakhs)

Sl. No.	Items	1 st	2 nd	3 rd	4 th	5 th	Total
1.	Free on Board value of Exports in first 5 years						
2.	*Foreign Exchange Outgo on for the first five years						
3.	Net Foreign Exchange earnings for the first five years (1-2)						

*Foreign Exchange outgo shall include Cost, Insurance and Freight value of import of machinery, raw material, components, consumables, spares, packing material and amount of repatriation of dividends and profits, royalty, lump sum knowhow fee, design and drawing fee, payment to foreign technicians, payments on training of Indian technicians abroad, commission on export, interest on external commercial borrowings, interest on deferred payment credit and other payments.

Place:

Date:

Signature of the Applicant

Name in Block Letters

Designation

Telephone No:

Mobile No:

E-mail Address:

FORM F 2**FORMAT FOR RENEWAL OF LETTER OF APPROVAL FOR UNIT**

(See rule 19 (6A)(3))

OFFICE OF DEVELOPMENT COMMISSIONER, SPECIAL ECONOMIC ZONE DEPARTMENT OF COMMERCE, GOVERNMENT OF INDIA

F No.

Dated:

To

M/s Name and Address of the unit

Subject: Renewal of Letter of Approval issued to M/s, a unit in Special Economic Zone for continued Operation under the SEZ Scheme- reg.

Sirs,

With reference to your application No..... dated, the validity of Letter of Approval No.dated issued to M/s is hereby extended forblock of 5 years i.e. from **dd.mm.yyyy** to **dd.mm.yyyy** for undertaking authorized operations, namely, in Special Economic Zone, instate. All other terms and conditions stipulated in the original Letter of Approval shall remain unchanged. Your application for renewal of Letter of Approval has been considered on the basis of projections given therein and the same has been given below.

Sl. No.	Items	1 st	2 nd	3 rd	4 th	5 th	Total
1.	Free on Board value of Exports for 5 years						
2.	*Foreign Exchange Outgo on for the first five years						
3.	Net Foreign Exchange earnings for five years (1-2)						

2. You are required to execute a fresh Bond Cum Legal Undertaking with this office in respect of the extended period.

3. Please keep this letter attached with the original Letter of Approval cited above and acknowledge the receipt.

Yours faithfully

(Development Commissioner)

..... Special Economic Zone

Copy to:

1. The Specified Officer, Special Economic Zone.
2. Database Manager.

*Foreign Exchange outgo shall include Cost, Insurance and Freight value of import of machinery, raw material, components, consumables, spares, packing materials and amount of repatriation of dividends and profits, royalty, lump sum knowhow fee, design and drawing fee, payment to foreign technicians, payments on training of Indian technicians abroad, commission on export, interest on external commercial borrowings, interest on deferred payment credit and any other payments.”.

35. In the said rules, after Form K, the following Form shall be inserted, namely:-

“FORM L

FORM OF LEGAL UNDERTAKING FOR EXIT OF THE UNIT FROM SPECIAL ECONOMIC ZONE SCHEME

(See rule 74(6))

M/s _____ were granted Letter of Approval/Letter of Permission No. _____ dated _____ for setting up a Special Economic Zone Unit _____ at _____ for the manufacture and export of _____ subject inter-alia to the condition that they would achieve positive Net Foreign Exchange on cumulative basis as per provisions of Special Economic Zone Scheme.

The unit filed a legal undertaking as per rule 22 of Special Economic Zone Rules, 2006 in Form H of Special Economic Zone Scheme on _____ with the President of India through the Development Commissioner, _____ Special Economic Zone for achieving the above mentioned commitments.

As against the above commitments, the unit's actual performance has been as under:-

Year	Import (Rs. In Lakh)		Export (Rs. In Lakh)
	Capital Goods	Raw Materials	

The unit applied for exit from the Special Economic Zone Scheme which was subject inter-alia to the condition that penalty imposed by appropriate Authority under the Foreign Trade (Development & Regulations) Act, 1992 (22 of 1992) for non-fulfilment of the conditions of approvals would be paid.

In view of the approval for exit, I/We hereby undertake as under:

- (i) That I/We _____ shall pay whatever penalties are imposed by the Development Commissioner under Foreign Trade (Development & Regulations) Act, 1992 (22 of 1992) for non-fulfilment of the terms and conditions of Letter of Approval/Letter of Permission.
- (ii) That I/We _____ shall pay tax/duty alongwith interest, if any, if found availed for the unit mentioned above, shall be paid to any statutory agency without any demur or protest within the time frame specified in this regard.
- (iii) That I/We _____ shall adhere to the mode of payment of penalties, if any, and time frame in which penalties are required to be paid to the Development Commissioner without any demur or protest.

(Full and expanded description
of the unit with full address.)

IN WITNESS WHEREOF the unit hereto has duly executed this agreement on _____ this _____ day of _____ (Year) signed, sealed and delivered by the unit in the presence of:

1. Name _____

Address _____

2. Name _____

Address _____

Accepted by me on behalf of the President of India.

Dy./Jt. Development Commissioner, _____ Special Economic Zone.”.

[F. No. K-43013(12)/1/2017-O/o-US(GS)-DOC]

BIDYUT BEHARI SWAIN, Addl. Secy.

Note :- The principal rules were published in the Gazette of India, Extraordinary Part-II, Section 3, Sub-section (i), *vide* number G.S.R. 54 (E), dated the 10th February, 2006 and last amended *vide* G.S.R. 585 (E), dated the 13th June, 2017.