

Appendices

Appendix 1 (Refer Para No. 1.8)

The duty comparison¹³ between SEZ, EOU and DTA unit.

Particulars	SEZ unit	EOU unit	DTA unit
Custom duty on raw material import	Exempt on inputs, capital goods and construction material	Exempt on inputs and capital goods	Custom duty 6 per cent Education cess 2 per cent Higher Education Cess 1 per cent Special additional duty 4 per cent Exemption on raw material/ consumables available against advance authorization If exemption not available For manufacturers- CVD & SAD available as credit BCD is cost to every one
Import of capital goods for footwear and leather manufacturing	Nil custom duty on capital goods	Nil custom duty on capital goods. Can also import second hand capital goods without age limits	0 per cent under EPCG with condition Block 1 st to 4 th year 50 per cent export Block 5 th and 6 th year 50 per cent export Or 3 per cent under EPCG with condition Block 1 st to 6 th year 50 per cent export Block 7 th and 8 th year 50 per cent export
Excise duty	Exempt on inputs, capital goods and construction material	Exempt on inputs and capital goods	Central excise duty 12 per cent Education cess 2 per cent Higher Education Cess 1 per cent Credit of Excise duty available
Service Tax	Input services exempt/ refund	Refund on export services	Refund of export of services Service tax Service tax 12 per cent + education cess 3 per cent
Income tax AY 2013-14	No income Tax for the First Five years (MAT payable @ 18.5 per cent+ education cess 3 per cent effective 19.055 per cent) MAT above 1 crore income(MAT @ 18.5 per cent +sc 5 per cent	30 per cent tax +surcharge 5 per cent if the income is over ₹ 1 crore + education cess 3 per cent effective rate 30.90 MAT is applicable If income is above 1 crore effective rate is	30 per cent tax +surcharge 5 per cent if the income is over ₹ 1 crore + education cess 3 per cent effective rate 30.90 MAT is applicable If income is above 1 crore effective rate is

¹³ Duty comparison between SEZ / EOU/ DTA footwear manufacturing companies

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	+Education cess 3 per cent effective 20.00775) 50 per cent income tax for 2 nd 5 years 16.5 per cent but mat applicable 18.5 per cent 50 per cent of income tax in 3 rd five years i.e. 16.5 per cent but mat applicable 18.5 per cent	32.45 per cent Dividend distribution tax 15 per cent + surcharge 10 per cent + education cess 3 per cent effective rate 16.995	32.45 per cent Dividend distribution tax 15 per cent + surcharge 10 per cent + education cess 3 per cent effective rate 16.995
Central Sales Tax (CST)	Nil	Reimbursement allowed as per specified percentage	4 per cent
Stamp duty on lease/licence of plots	Exempted	Yes	Yes
VAT	Exempt / refund as per state VAT rules	VAT exemptions are not available to service industries Input VAT credit not available	VAT available as credit

Benefits availed by EOU, SEZ and DTA units

Factor	SEZ Unit	EOU Unit	DTA unit
Location	In the Zone	Anywhere in India (DTA units permitted to be converted)	Anywhere in India
Trading Units	Permitted	Not Permitted	No restrictions
Minimum investment	None	Min ₹ 1 crore (with certain exceptions)	None
NFE requirement		+ve NFE over 5 years (cumulative)	NA
DTA sales	Sales to DTA with duty +CVD+SAD Subject to NFE	50 per cent of FOB goods exported can be sold in DTA subject to NFE(goods produced from indigenous RM) allowed on payment of Excise duty If goods sold includes imported goods then 50 per cent of BCD in addition to CVD + 12 per cent Education and higher education cess 3 per cent + SAD is payable	Excise duty leviable Central excise duty @ 12 per cent Education cess @ 2 per cent Higher Education Cess @ 1 per cent DTA can take the benefit of draw back HS code 64 for example HS code 6403 leather shoes @ 9.10 per cent maximum up to ₹ 230 and @2.30 per cent maximum up to 58.1 when cenvat utilised. In addition to drawback , DTA can draw benefit under 3 per cent Focused market scheme 2 per cent under MLFMS Additional bonus 2 per cent Focused product scheme 2 per cent
Customs Bonding	No	Yes	NA

Factor	SEZ Unit	EOU Unit	DTA unit
Duty drawback on fuels procured from domestic oil companies	Not required	Yes	Yes, as per DGFT notification
Ease of Customs compliances	No routine examination of Export Import Cargo by Customs	No routine examination of Export Import Cargo by Customs	Examination of Export Import Cargo By Customs
Import/export restrictions	Restricted/ canalised goods (e.g. petrol) can be imported without import licence	Restricted/ canalised goods (e.g. petrol) can be imported without import licence	Import licence needed for import of restricted goods
Transfer of existing employees from existing facilities	Allowed	Allowed	Allowed
Used capital goods	Allowed upto 20 per cent of total investment in capital goods. In case limit of 20 per cent is breached, only income tax exemption is denied	Allowed	Allowed
Investment approvals	100 per cent FDI in allowed automatically for Manufacturing SEZ Units	FIPB approval required as per sectoral guideline	FIPB approval required as per sectoral guideline
Cost recovery charges	Not required	Yes	Not required
Chapter 3 of FTP benefit	Not required	No	Yes
Infrastructural and warehousing expenses	SEZ has built in arrangements	To be borne by the unit	NA
Supplies from DTA	Exempted	Reimbursement of CST	--
Exports	DTA input treated as physical export	DTA input treated as deemed export	Has to be physically export for any claim
Exit	To move out of the Zone	Unit remain where it is situated	Allowed

Appendix 2 (Refer Para No. 2.2)

Performance of EOUs

Loss of Export Incentives	Export incentive such as DEPB, Drawback, DFRC and Target Plus Scheme, etc., are not available.
Greater watch and supervision	Since all removal and arrival under the direct control or monitoring of Government officials thus constant watch and supervision of Custom & Excise officer which adds to the process time.
Additional Levy	Levy of cost recovery charges under EOU scheme.
Extra records to be maintained	Compulsory maintenance of records, regular reporting to Central Excise, Custom and Development Commissioner.
Lengthy exit option	Lengthy and bewildering provisions for exit options.
Penalty on exit, if any	Penalty is imposable if unit fails to achieve positive NFE and other conditions of LoP during the relevant period.
Job work procedure	Procedures to be followed for getting the job-work done from outside the premises of the unit.
Others issues	The units producing the exempted goods are worse off, as they have to pay duty on removal of finished goods or scrap as if it were imported into India, which has the impact of making the goods of the units dearer for domestic dealers.

Appendix 3 (Refer Para No. 2.2)

Performance of EOUs

DC	Name of the unit	Short levy of Duty (₹ in lakh)	Nature of irregularity
SEEPZ SEZ	M/s Smruthi Organics, Solapur	19.11	Finished goods cleared at concessional rate
SEEPZ SEZ	M/s Virgo Valves & Controls Ltd., Pune	4.75	Duty paid at concessional rate on stock of finished goods
SEEPZ SEZ	M/s Virgo Valves & Controls Ltd., Pune	63.15	Duty paid at concessional rate on unfinished goods
NSEZ	1 M/s KEI Industries and	6.01	Depreciation was not computed proportionately.
	2 M/s Skipper Electricals (India) Ltd Unit-II, Bhiwadi,		
FALTA SEZ	M/s Naffar Chandra Jute Mills Limited, Nadia	13.06	Depreciation was not computed proportionately.
SEZ	M/s. Sigma Aldrich Chemicals Private Ltd, Bangalore	2.20	Depreciation was not computed proportionately
SEEPZ SEZ	M/s Galaxy Surfactants, Navi Mumbai	76.30	Credit on duty paid on capital goods 100 per cent instead of 50 per cent.
FALTA SEZ	M/s Chaitanya Minerals, Jajpur	4.23	Under Rule 2(a) of the CENVAT Credit Rules, 2004 Capital Goods do not include Motor Vehicles
NSEZ	M/s Skipper Electricals (India) Ltd Unit-II, Bhiwadi,	6.24	Indigenous capital goods were taken under EPCG licence.
	Total	195.05	