

No. D.12/11/2012-SEZ
Government of India
Ministry of Commerce & Industry
Department of Commerce
(SEZ Division)

Udyog Bhawan, New Delhi-110107

Dated: 11 October, 2013

To

All Development Commissioners
Special Economic Zones

Subject: Permission for sub-contracting by a SEZ Unit to a DTA Unit-regarding.

Sir/Madam,

I am directed to say that under sub-rule 41(1) of SEZ Rules, 2006 a Unit may sub-contract a part of its production or any production process, to a unit(s) in the Domestic Tariff Area or in a Special Economic Zone or Export Oriented unit or Software Technology Park unit or Bio-technology Park unit with prior permission of the Specified officer to be given on an annual basis subject to conditions laid thereunder.

2. Requests have been received from large manufacturing Units that permission may be granted to sub-contract for longer periods as against one year at a time so as to facilitate the manufacturing process and thereby augment exports.

3. The matter has been examined in this Department and it has been decided that sub-contracting of production or any production process by large manufacturing SEZ Units to DTA units may be granted for a period up to 3 (THREE) years at a time subject to the following conditions:

- i. The SEZ unit should be a manufacturing unit (not including Gems & Jewellery Sector units).
- ii. Such a unit should have substantial exports with average annual exports of Rs. 1000 crore or more in at least two out of four years (i.e. current plus previous three years)
- iii. The unit should have been Net Foreign Exchange Earner over the past 5 years block.

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- iv. The unit should have an annual average export of not less than 51% of its total turnover in the block of 5 years.
- v. The Unit should have an un-blemished track record and no penalties against the unit for any violations under the Customs Act, FTDR Act etc. should have been imposed.
- vi. The Bond-cum-LUT signed by the SEZ unit should adequately cover the goods which leave the SEZ for sub-contracting.
- vii. The period for which sub-contracting is allowed will not exceed the validity period of the LOP of the SEZ unit.
- viii. The DTA unit to which the sub contract is to be awarded should be registered with the Central Excise Department.
- ix. No Sub-contracting should be permitted for goods which are restricted/prohibited or otherwise not permitted under any provision of the SEZ Act and Rules.
- x. Sub-contracting would also not ordinarily be permitted for goods which attract anti-dumping duty as per EXIM Policy.
- xi. Such permission should be granted with the approval of the Development Commissioner, SEZ.

4. This has the approval of Hon'ble Minister for Commerce & Industry.


11.10.13
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