

F.No.305/140/2002-FTT
Government of India
Ministry of Finance & Company Affairs
Department of Revenue
Central Board of Excise & Customs

Subject: Transfer of Unutilized Raw Material from one EOU/ EPZ/ STP/EHTP Unit to another EOU/EPZ/STP/EHTP Unit under Paragraph 6.16 of the Policy- Reg.

It has been brought to the notice of the Board that the EOUs and units in EPZ/EHTP/STP are not being allowed to transfer unutilized materials procured / imported duty free to other such unit in spite of explicit provision contained in Paragraph 6.16 of the Exim Policy. The permission is stated to have been denied on the ground that inter unit transfer of goods except within the same EPZ is not allowed under the Exim Policy 2002-2007.

2. The matter has been examined by the Board. It may be noted that the facility of inter-unit transfer of goods under EOU/EPZ/STP/EHTP Scheme has been restricted to manufactured goods only under paragraph 6.14 of the Exim Policy 2002-2007. Such inter-unit transfer of goods is different from the transfer of unutilized duty free goods allowed under paragraph 6.16 of the Exim Policy. Paragraph 6.16 of Exim Policy explicitly provides that in case an EOU/EPZ/EHTP/STP unit is unable, for valid reasons, to utilise the goods imported or procured from DTA, it may dispose off them in DTA on payment of applicable duties and on submission of import licence by the DTA unit, wherever applicable. The paragraph also permits transfer or sale of goods from an EOU/EPZ/EHTP/STP unit to another such unit. A plain reading of the paragraph makes it clear that sale of unutilized material to a DTA unit or to another EOU/EPZ/EHTP/STP unit can arise only in exceptional cases and can not be a regular feature for the units. Such sale of un-utilised goods is obviously different from inter-unit transfer of goods in normal course under paragraph 6.16, which has been restricted to manufactured goods only.

3. In view of the above, I am directed to say that in case the EOUs or units in EPZ/EHTP/STP are unable, for valid reasons, to utilise the goods imported or procured duty free, such unutilized goods may be allowed to be sold in DTA on full payment of duty or may be allowed to be transferred to other EOUs/ EPZ/EHTP/STP units under and in accordance with paragraph 6.16 of the Exim Policy. However, in such cases, the unit should give valid reasons for such transfer/sale of un-utilised materials. Such supply from one EOU/EPZ/EHTP/STP unit to another such unit shall be treated as import for the recipient unit and necessary endorsement to this effect may be made on all the documents pertaining to such inter-unit transfers.

4. Wide publicity may be given by issue of a Public Notice in this regard.

5. Difficulties, if any, faced in the implementation of above instructions, may be brought to the notice of the Board at an early date.

Kindly acknowledge receipt of this Circular.

(D.S. Garbyal)
Under Secretary to the Government of India