

F. No. 305/53/2002-FTT

Government of India
Ministry of Finance & Company Affairs
Department of Revenue
(Central Board of Excise & Customs)

Sub:- Permission to send out goods for job work by EOUs/STP /EHTP /SEZ Units– Reg.

I am directed to invite your attention to the Board's Circular No. 65/2002-Cus dated 7-10-2002 on the above subject. Now, it has been brought to the notice of the Board that in the said Circular, as per condition 2(a), EOUs or EHTP/STP/SEZ units are required to furnish details of the value addition to be achieved by the job worker, among other things, at the time of making an application for permission of sub-contracting in DTA. It has been requested that this information should not be insisted upon as often, it is not possible to workout such value addition and therefore, the unit finds it difficult to furnish the same. Further, it has also been requested that the time limit of 30 days prescribed (Ref: paragraph 2(g) of the said Circular) for return of goods to the EOUs and STP/EHTP/SEZ unit from the premises of the job worker is not adequate and the same should be increased to 90 days. Besides above, it has also been pointed out that in the said Circular, there is no provision for subcontracting of production and on the contrary, as per condition 2(b), substantial activity of manufacture is to be carried out within the bonded premises of the unit of EOU/STP/EHTP/SEZ. It further provides that it should be ensured that there is no attempt to parcel out the substantial manufacturing operations outside the bonded premises. It has been pointed out that the said provisions of the above mentioned Circular are contrary to the provision of paragraphs 6.15(a) and 7.12(a) of the Exim Policy 2002-2007, wherein EOU and STP/EHTP/SEZ units are allowed the facility of sub-contracting of production in DTA. Therefore, it has been requested that EOUs and STP/EHTP/SEZ units may be allowed the facility of subcontracting of production in DTA as per the provisions of Exim Policy.

2. The matter has been examined. There is no doubt that there is a considerable merit in the above said requests of trade and industry and the implementation of the same would help promote exports. This apart, the transaction cost of imports and exports will be reduced to a great extent. Accordingly, it has been decided that the goods sent out for job-work shall be allowed to be returned to the units within a period of 90 days, instead of 30 days, from of date of removal as stipulated in the said Circular. Further, information regarding value addition to be achieved by the job workers at the time of making application for permission of job-working should not be insisted upon, since the same is difficult to workout and furnish. As regards subcontracting of production in DTA, EOUs and EHTP/STP/SEZ units may be allowed to subcontract part of production in DTA as per the provisions of Exim Policy.

3. It may be noted that before allowing such subcontracting of production in DTA, the jurisdictional Assistant Commissioner/ Deputy Commissioner shall satisfy himself of the bonafide necessity of such sub-contracting of production in DTA. This facility may not be allowed in routine manner to the units. It is not the intention of the government to allow the unit to parcel out the manufacturing into DTA or to other EOU/EHTP /STP /SEZ under normal circumstances, but to help the units to overcome genuine difficulties and to enable units to meet the sudden demand of goods for exports which is in excess of production capacity of the existing unit. Further, it may be ensured that while giving permission for subcontracting of production in DTA or to other EOU/STP/EHTP/SEZ units, the past antecedents of the units as well as job-working units should also be verified and in case of any misuse of serious nature noticed in the past or due to any other reasons, where it is felt that there is no justification per such permission or there are high chances of abuse of such facility, such permission may be denied with the approval of Commissioner of Customs. All the other conditions including furnishing of bank guarantee etc. as stipulated in the Circular No. 65/2002-Cus dated 7-10-2002 shall apply mutatis-mutandis in case of subcontracting of production into DTA.

4. The Board's Circular No. 65/2002-Cus dated 7-10-2002 stands modified to the above extent.
5. Difficulties, if any faced in the implementation of the above instructions may be brought to the notice of the Board at an early date.
6. Kindly acknowledge receipt of this circular.
7. Hindi version will follow.

C.P. Goyal
Sr. Technical Officer