

F. No. 305/53/2002-FTT
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise & Customs

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

I am directed to invite your attention to the Board's instructions issued from time to time regarding clearance of raw materials, semi-processed goods by EOUs/EPZ/STP/EHTP/SEZ units for job-work/ processing in the Domestic Tariff Area (DTA). References were received that taking advantage of the relaxed Policy provisions, the sub-contracting facility is being misused by some unscrupulous units, thus causing loss of revenue to the exchequer. In the newly announced EXIM Policy and Handbook of Procedures, certain changes were made in this regard to plug the loopholes. Subsequently, it has been represented to the Board that the newly introduced provisions relating to sub-contracting, viz. the requirement of first stage processing, and the job-worker being a Central Excise registrant have created certain difficulties for EOUs and EPZ/SEZ/STP/EHTP units.

2. The matter has been examined by the Board. Having regard to the difficulties being faced by the EOUs/EPZ/SEZ/STP/EHTP units as also taking revenue interests into account, it has been decided to streamline the procedures relating to sub-contracting / job-work in DTA as follows.

- (a) The EOUs/EPZ/STP/EHTP/SEZ units shall be required to submit an application to the jurisdictional Assistant/ Deputy Commissioner of Customs/Central Excise furnishing information, such as, the name and address of the job-worker, Central Excise registration No. of the job-worker, if registered with the Central Excise Department, processing capacity of the job-worker, details of the processes to be carried out by the job-worker, justification for processing of goods outside the bonded premises, value addition to be achieved by the job-worker etc. After examining the request and after satisfying himself about the bonafide requirement of the unit, the Assistant Commissioner or Dy. Commissioner of Customs/Central Excise in charge of the unit may grant permission for job-work. The permission shall normally be valid for a period of one-year. However, considering the sensitive nature of the commodities to be sent out for job-work and past record of the unit, the permission may be restricted to shorter period also.

It is hereby clarified that the job work permission will not be withheld solely on the ground that the job worker is not a Central Excise registrant.

- (b) While considering the request of the unit, it should be ensured that the substantial activity of manufacture is carried out within the bonded premises of the unit of EOU/EPZ/STP/EHTP/SEZ. For this purpose, the entire processing activity in relation to the manufacture of the export products by the said units should be studied and it should be ensured that there is no attempt to parcel out the substantial manufacturing operations outside the bonded premises.
- (c) In the context of activity that is permitted to be carried out on job-work basis outside the premises of EOUs /EPZ /STP/EHTP/SEZ units, it should be possible to establish the identity of finished products received after job work with the raw materials/components/ partially processed goods sent out. This is necessary to ensure that the finished products are manufactured out of raw materials imported/ procured duty free by the units and there is no substitution/diversion of duty free goods in the DTA.
- (d) The units sending out goods for job work in DTA shall be required to give an intimation to the jurisdictional officer and a sample of the goods being sent out for job work shall be drawn and

retained in the Range Office. On receipt of the goods in the unit after job work, the Bond Officer shall establish the identity of the goods so returned with reference to the sample retained by him at the time of removal. He shall also retain a sample of the processed goods so returned for the purpose of record. After expiry of 6 months, both the samples shall be returned to the unit after obtaining an acknowledgement from the unit.

- (e) The unit sending out imported or domestically procured raw materials, components etc as it is, i.e without being subjected to any processing in the unit for job work in the DTA, shall be required to furnish 100% bank guarantee to cover the duty forgone on such duty free material being taken out. The bank guarantee shall be required to be furnished to the jurisdictional Range Officer of Central Excise or jurisdictional Superintendent of the Customs, as the case may be. However, the status holder EOUs and status holder units in EPZ/STP /EHTP/ SEZ having an unblemished track record shall be exempt from the requirement of furnishing bank guarantee.
- (f) The EOUs and units in EPZ/STP /EHTP/SEZ removing the semi processed goods for job work in DTA shall be required to furnish bank guarantee equivalent to 50% of the duty payable on the goods being taken out for job work. However, in case the unit has furnished a bank guarantee as security along with B-17 bond, and the same is sufficient to cover the duty payable on such goods being taken out, no fresh or additional bank guarantee shall be insisted upon. But, in cases where only surety is given at the time of execution of B-17 bond or the security given along with B-17 bond is not sufficient to cover the duty payable on such goods being taken out, the unit shall be required to furnish bank guarantee equal to 50% of the duty payable on goods being sent out for job work. The status holder EOUs and the status holder units in EPZ/STP /EHTP/SEZ having unblemished track record shall be exempt from the requirement of furnishing bank guarantee.
- (g) In all cases of job work in DTA, the goods sent out for job work shall be required to be returned to the unit within a period of 30 days from the date of removal. Further extension of time may be considered by the jurisdictional Assistant Commissioners/ Deputy Commissioners only in deserving cases. In case of non-receipt of goods within the stipulated period, action may be taken to recover duty, such as, encashment of the bank guarantee given at the time of removal of goods into DTA for job work.
- (h) The Range Officer in charge of the EOUs/STP/EHTP units or jurisdictional Asstt. Commissioner or Dy. Commissioner of Customs/Central Excise in charge of the EPZ/SEZ shall carry out the checks to verify the premises of the job worker, processing capacity of the job worker, existence of facility for carrying out the declared process in the job worker's premises. Such verification should necessarily be carried out expeditiously in any case within a period of one month from the date of granting permission for job work. The verification will be carried out by visiting the premises of the job worker by AC/DC/RO by themselves or by letters/fax/ E-Mail to the jurisdictional Range officer of job worker's premises and getting report in writing. For job working within the Zone in EPZ/SEZ, the requirements mentioned in (d), (e), and (f) above would not apply.
- (i) Export of finished goods directly from the job worker's premises may be permitted provided the job worker is a Central Excise registrant. However, export of finished goods from the job worker's premises shall not be allowed through third parties. A sample of goods exported from the job-worker's premises shall be sent to the Customs /Central Excise in charge of the parent unit for checking whether the goods supplied by the unit has been utilised by the job worker in the product under export. Scrap, waste or remnants generated during the processing shall be either returned to the unit or may be cleared from job-worker's premises on payment of applicable duty. (This will apply only when job worker is in DTA).
- (j) The EOUs and units in EPZ/STP/EHTP/SEZ may be permitted to remove moulds, jigs, tools, fixtures, tackles, instruments, hangers and patterns and drawings to the premises of the sub contractor subject to the condition that they shall be brought back to the premises of

EOU/EPZ/STP/EHTP/SEZ units within the period of six months.

- (k) Gem and jewellery manufacturing units in SEZ may be allowed to take out gold, silver, or platinum for job work in DTA and bring back the jewellery finished or semi-finished including studded jewellery containing quantity and purity equal to the gold, silver, platinum taken out within the period of 30 days from the date of such taking out. No diamonds, precious stones or semi-precious stones shall be allowed to be taken out of the SEZ.

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

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

Kindly acknowledge receipt of this circular.