

Circular No.77/1999-Customs dt.18th November,1999

EOUs/EHTP/STP Units -Modvat Credit Availed by DTA Units before conversion into EOU, etc. Not to be Reversed

Sub: Demand of Modvat Credit Availed on the Capital Goods by DTA Unit before its Conversion into EOU/EHTP/STP -Clarification Reg.

Paragraph 9.28 of the EXIM Policy 1997 -2002 provides that existing DTA units may also apply for conversion into an EOU/EHTP/STP, but no concession in duties and taxes would be available under the scheme for plant, machinery and equipment already installed. In this connection, instances have come to the notice of the Board that such units on their conversion into EOUs have been asked to reverse the Modvat credit already availed of on plant & machinery procured by them prior to their conversion into EOUs.

2. The matter has been examined. It is clarified that if the DT A unit has availed of the Modvat credit on plant, machinery and equipment and also utilised such credit for payment of duty on goods manufactured and cleared before its conversion into EOU/EHTP/STP, the same is not required to be demanded on its conversion into EOU/EHTP/STP. However, if the Modvat credit so availed of is lying in balance as unutilised on the date of conversion into EOU/EHTP/STP, it would lapse on conversion of DT A unit into EOU/EHTP/STP unit and cannot be utilised after such conversion.

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

4. Kindly acknowledge receipt of this Circular. Difficulties, if any, faced in the implementation of the above changes may be brought to the notice of the Board as an early date.

Sd/-

(C.P. Goyal)

Sr. Technical Officer (FTT)