

F.No.305/134/2002-FTT
Government of India
Ministry of Finance
Department of Revenue
(Central Board of Excise and Customs)

Sub:- Duty Free Import/ procurement by Trading Units - Amendments in the Notifications relating to EOU/ETHP/STP schemes – Reg.

I am directed to invite your attention to the Export and Import Policy and Handbook of Procedures, 2002-07 announced by the Ministry of Commerce and Industry on 31-3-2002. The new five-year Export and Import Policy and the Handbook of Procedures (HOP) replaced the old Export and Import Policy and Handbook of Procedures, 1997-2002 and came into force w.e.f 1-4-2002. Under the old EXIM Policy(1997-2002), there was a provision for setting up of trading units under EOU/EPZ schemes. The provision for setting up of trading units under EOU/EPZ schemes has been deleted in the new EXIM Policy, 2002-07. Para 6.1 of the new Policy specifically provides that no trading unit shall be permitted to be set up under the EOU/EPZ scheme. Accordingly , notifications governing duty free import/ procurement by EOU were amended on 24-6-2002 so as to withdraw the facility of duty free import/ procurement by trading units under EOU Scheme

2. However, requests were received to allow the trading units which were in existence prior to 31-3-2002 to continue trading under the EOU Scheme till expiry of their LOP(Letter of Permission).
3. The matter has been examined in the Board and it has been decided to allow the trading units which were in existence prior to 31-3-2002 and have valid LOP as on date to continue under EOU Scheme till the expiry of their LOP. Accordingly , notification Nos 52/2003-Cus and 22/2003-CE both dated 31-3-2003 governing duty free import and procurement by EOU/EHTP/STP respectively, have been amended vide notification Nos 1/2004-Cus and 1/2004-CE both dated 2-1-2004.
4. Since , under the Present Policy, trading units are not allowed to be set up under EOU Scheme, it is needless to mention here that the trading units which were in existence prior to 31-3-2002 should not be given any further extension of LOP and would not be allowed to operate under EOU Scheme once validity of the LOP has expired. Therefore, before allowing CT-3/ procurement certificate to the trading units for procurement or import of goods under the amended notifications , it may be verified if the unit was in existence prior to 31-3-2002 and has a valid LOP even now to operate under EOU Scheme as on 2-1-2004 i.e the date of issuance of the notification 1/2004-Cus and 1/2004-CE. The benefit of exemption to the trading units has been allowed for a limited period only and would not be available in any case where extension of LOP has been granted anytime after 31-3-2002. The extent of concession would be limited to the concessions available as per Exim Policy at the time of issue of LOP
5. It may please be noted that the amending notifications do not have any retrospective effect. In other words these notifications will not regularise duty free import/ domestic procurement of goods effected by trading units between 24-6-2002 and 1-1-2004_
6. No such amendment is necessary for units in EPZ since all existing EPZs have been converted into SEZ and EPZ Scheme has been discontinued w.e.f 1-4-2003. Trading activity is already allowed under the SEZ Scheme.
7. Wide publicity may be given to the above by issue of a Public Notice in this regard.
8. Kindly acknowledge receipt of this Circular.

9. Hindi version will follow

A.K.Sinha
Technical Officer (FTT)
Telephone No:- 23093859