

Setting up Business in India

Trade and Facilitation Series - Vol 5





EXPORT ORIENTED UNITS (EOU)/ELECTRONIC HARDWARE TECHNOLOGY PARKS , SOFTWARE TECHNOLOGY PARKS (EHTP/STP)/BIO-TECHNOLOGY PARK(BTP)



APPLICATION & APPROVAL PROCESS

EOU

- Units under EOU shall be approved by units' approval committee as per specified criteria.
- Other cases, approval will be granted by DC after clearance of BOA.

EHTPs/STPs

- Can be setup by CG or SG, PSUs, or any combination duly approved by Inter-Ministerial Standing Committee (IMSC)
- Application shall be in prescribed format and shall be submitted to designated officer.

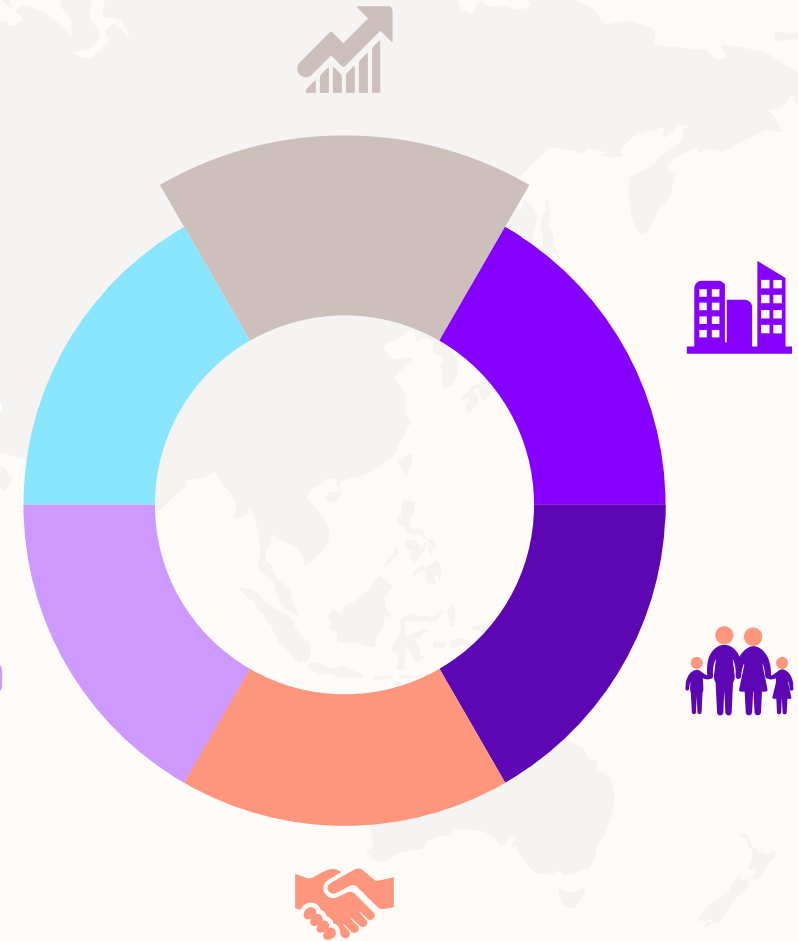
BTPs

- Can be setup by CG or SG, PSUs, or any combination duly approved by Inter-Ministerial Standing Committee (IMSC)
- Application shall be in prescribed format and shall be submitted to designated officer.

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APPLICATION & APPROVAL PROCESS

- 01** Letter of Permission (LoP) / Letter of Intent (LoI) shall be issued by Development Commissioner. It will be initially valid for 2 years and extension of 1 year if valid reasons are given in writing.
- 02** Once the unit commences, then LoP/LoI will be valid for 5 years and can be extended by 5 years by Development Commissioner.
- 03** Proposal of setting up EOU requiring industrial license will be approved within 45 days from filing ANF 6C by the DC.



EXPORT AND IMPORT OF GOODS & SERVICES

Export

- 01 EOUs can export all kinds of goods (specified in the LOP) other than prohibited goods.
- 02 STPs may export using data communication or in the form of physical Exports
- 03 EOUs shall be permitted for export of jewelry having notional rate certificate which is not older than 7 days of date of shipment
- 04 Exporter shall fix price and repay gold loan within 180 days from date of export.
- 05 Supply of unsuitable and polished diamonds up to 5% imported to DTA against valid Gems & jewelry REP is permitted



Import

- Goods permitted to be procured from DTA shall include:
- 01 Raw materials, spares and packing materials
 - 02 Capital Goods and spares (new or second hand)
 - 03 Prototypes and technical samples for existing products.
 - 04 Office equipment including fax machines, projector etc.
 - 05 Drawings and Blueprints

CONDITIONS FOR IMPORT AND PROCEDURAL ASPECT

Agro and granite sector to intimate in prior to Customs that ownership rests with them



Period of utilization of imports shall be co-terminus with validity of LOP. However, imported tea to be utilized within 6 months of import



EO for import of spices (pepper, cardamon, chillies) to be fulfilled within 120 days from the date of import of 1st consignment. For other spices EOP shall be 12 months



CONDITIONS



Consumption of input shall be based on SION provided if no SION notified, then 2% of wastage is allowed. Wastage in excess of 2% subject to approval by the Norms Committee



Units to maintain proper accounts and to file digitally signed quarterly and annual reports to their respective authorities.



Performance of the units shall be monitored by their respective authority.

NET FOREIGN EXCHANGE EARNINGS

EOU/STP/BTP should be a Net Foreign Exchange earners – calculated for a block of 5 years from commencement of production

Time period may be extended by 1 year if unit unable to achieve NFE due to adverse market conditions

Positive NFE = FOB value of exports by units (A) – CIF value of imported goods and value of all foreign payments in first 5-year period (B)



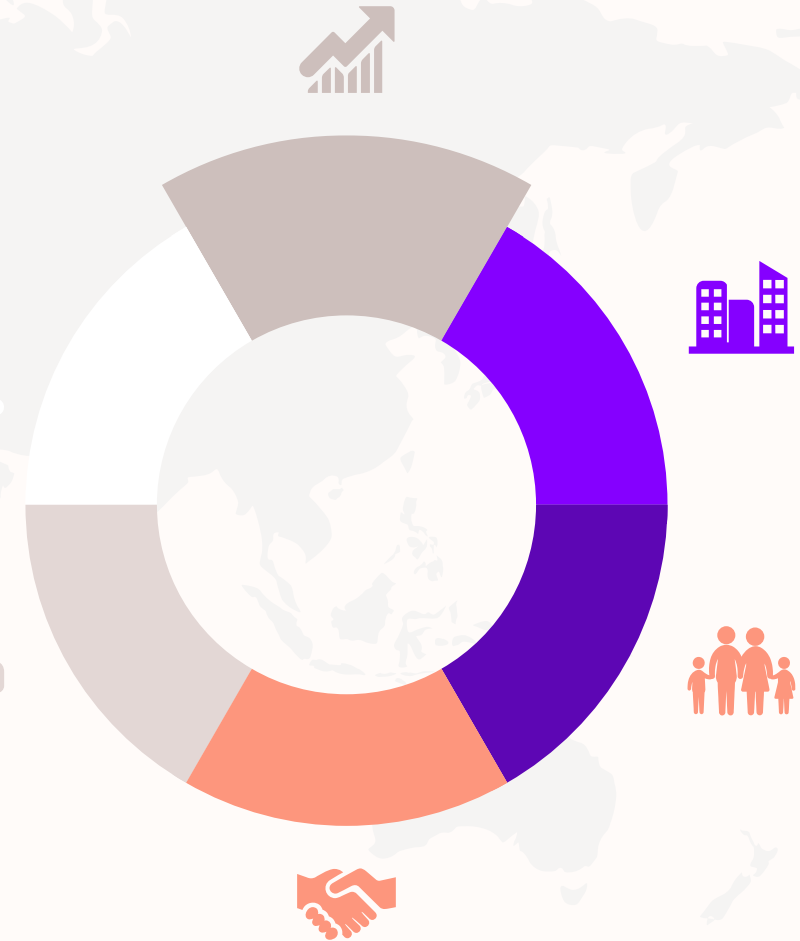
If any goods procured from SEZ or from Intl. exhibition held in India, value of such goods to be included in **B**.

If any CG imported duty free or leased or received free of cost, value to be included in **B on pro-rata basis**.

Imported capital goods and lumpsum payment towards technical know-how shall be amortized @ 10% for 10 years if the unit does not exit to DTA in first 10 years.

OTHER ENTITLEMENTS

- 01 Unit can export goods through other exporters or any other unit.
- 02 FOB value of exports of a unit can be clubbed with that of its parent company in DTA or vice versa for Status Holder Certificate.
- 03 No duty-free goods shall be installed outside premises if they are used for training purposes.
- 04 Units may export goods for holding exhibitions abroad if confirmation is obtained from the Customs authorities.
- 05 Goods can be exported for sale in permitted shops set up abroad or in showrooms.



SUB-CONTRACTING AND CONTRACT FARMING



Sub-Contracting is allowed subject to below condition

1

Goods taken out for sub-contracting to be brought back within 90 days



2

Plain gold/silver/platinum can be received in units in exchange for an equivalent quantity of jewellery



3

DTA unit undertaking job work or exchanging jewellery shall not be entitled for deemed export

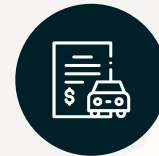


Agro units can take out inputs to DTA subject to the following



Annual permission from customs authorities

1



Supply shall be subject to SION approved by DGFT

2



There shall be agreement between DTA and EOU farmers & units have been in existence for atleast 2 years

3

DEPRECIATION NORMS

Computer peripherals

- 1st year – 10% every quarter
- 2nd year – 8% every quarter
- 3rd year – 5% every quarter
- 4th and 5th year – 5% every quarter
- No Upper limit – 100% depreciation permitted

& Computer

Other Capital Goods

- 1st year – 4% every quarter
- 2nd & 3rd year – 3% every quarter
- 4th & 5th year – 2.5% every quarter
- Remaining years – 2% every quarter.
- No Upper limit – 100% depreciation permitted

CONVERSION

Existing DTA units can apply for conversion by the prescribed manner

No concession in duties and taxes available under the scheme for PPE already installed before conversion

Existing EHTP/STP/BTP units may also apply for conversion to EOU units and vice versa in the specified manner

If the DTA has EPCG license, the conversion is permitted only if the unit has either fulfilled EO or had paid the duty in full

EOU can convert to SEZ with approval of Development Commissioner (DC) provided that EOU has achieved pro-rata obligation under EOU scheme.



Thanks!

Do you have any questions?
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