

Export of Goods and Services - Facilities to Units in Special Economic Zones (SEZs)
A.P.(DIR Series) Circular No.91 (April 1, 2003)

Reserve Bank of India
Exchange Control Department
Central Office
Mumbai 400 001

A.P.(DIR Series) Circular No.91

April 1, 2003

To

All Authorised Dealers in Foreign Exchange

Madam / Sirs,

Export of Goods and Services -
Facilities to Units in Special Economic Zones (SEZs)

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No.28 dated March 30, 2001 and subsequent circulars issued extending various facilities to units in Special Economic Zones. It has been decided to extend the following facilities to the units located in the Special Economic Zones (SEZs) :-

A. Realisation of export proceeds

In terms of para 11(c) of AP (DIR Series) Circular No.28 dated March 30, 2001, units situated in Special Economic Zones have been permitted to realise and repatriate to India the full value of goods or software within a period of twelve months from the date of export. It has now been decided to remove the stipulation of twelve months or extended period thereof for realisation of export proceeds. Accordingly, there shall be no prescription of any time limit for realisation of exports made by units in SEZs. However, the units in SEZs will continue to follow the GR/PP/SOFTEX export procedure outlined in Part B of Annexure to A.P.(DIR Series) Circular No.12 dated September 9, 2000 as amended from time to time.

B. Job work abroad

To promote international operations, units in SEZs are permitted to undertake job work abroad and export goods from that country itself subject to fulfilment of the following conditions :

- (i) Processing / manufacturing charges are suitably loaded in the export price and are borne by the ultimate buyer.
- (ii) The exporter has made satisfactory arrangements for realisation of full export proceeds subject to the usual GR procedure.

C. Receipts of payment in precious metals for EOUs and units in SEZs

Attention of authorised dealers is invited to para. A.4 of Annexure to AP (DIR Series) Circular No.12 dated September 9, 2000 in terms of which the amount representing the full

export value of goods exported shall be received through an authorised dealer in the manner specified in Notification No.FEMA. 14/2000-RB dated May 3, 2000 (Manner of Receipt & Payment) Regulations, 2000. It has been decided that payment of export may also be received by the Gem & Jewellery units in SEZs and EOUs in form of precious metals i.e. Gold / Silver / Platinum equivalent to value of jewellery exported on the condition that the sale contract provides for the same and the approximate value of the precious metal is indicated in the relevant GR/SDF/PP forms.

D. 'Netting off' of export receivables against import payments

It has been decided that authorised dealers may allow requests received from exporters for ' netting off ' of export receivables against import payments for units located in Special Economic Zones subject to the following :

- (i) The ' netting off ' of export receivables against import payments is in respect of the same Indian entity and the overseas buyer / supplier (bilateral netting). The netting may be done as on date of balance sheet of the unit in SEZ.
- (ii) The details of export of goods is documented in GR(O) forms/DTR as the case may be while details of import of goods / services is recorded through A1/A2 form as the case may be. The relative GR / SDF forms will be treated as complete by the designated authorised dealer only after the entire proceeds are adjusted / received.
- (iii) Both the transactions of sale and purchase in 'R' Returns under FET-ERS are reported separately.
- (iv) The export / import transactions with ACU countries are kept outside the arrangement.
- (v) All the relevant documents are submitted to the concerned authorised dealer who should comply with all the regulatory requirements relating to the transactions.

E. Capitalisation of import payables

Units in SEZs are permitted to issue equity shares to non-residents against import of **capital goods** subject to the following :-

- a) The valuation should be verified by a Committee consisting of Development Commissioner and the appropriate Customs officials.
 - b) The SEZ units issuing equity in the above manner should report the particulars of the shares issued in the form 'FC-GPR' prescribed under para 9 of Schedule I [Regulation 5(1)] to Notification No.FEMA.20/2000- RB dated May 3, 2000 to the concerned Regional Office under whose jurisdiction the SEZ falls, together with the copy of the valuation certificate. A copy of the report may be forwarded to Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, Government of India, Udyog Bhavan, New Delhi-110 001.
2. Necessary amendments to the Foreign Exchange Management Regulations are being notified separately.
 3. These facilities will be available in respect of the shipments made on or after April 1, 2003.

4. Authorised Dealers may bring the contents of the circular to the notice of their constituents concerned.

5. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,
G. Padmanabhan
Chief General Manager