



GCCI/DYSGR-2/REPR/2019-20/7822

DATE: 2/08/2019

Smt. Nirmala Sitharaman,
Hon. Chairperson,
GST Council,
5th floor, Tower-II,
Jivan Bharati Building, Janpath Road,
Connaught Place,
New Delhi – 110001

Durgesh V. Buch
President

Natubhai Patel
Sr. Vice President

Bhargav Thakkar
Vice President

Sanjeev Chhajer
Secretary

Dilip M. Padhya
Secretary (R)

Pathik S. Patwari
Treasurer

Sub: Non availability of ITC Benefits on account of GST Paid Towards Capital Goods Purchase by an EOU Units due to non-Provision of such facility in GST Act.

Respected Madam,

Greetings from Gujarat Chamber of Commerce & Industry, Ahmedabad. We are the apex body of based in Gujarat representing interest of direct 6000 members and Indirectly representing interest of around 2.5 lacs traders, business men and Industrialist of the state of Gujarat.

From the Policy point of view India has 2 Export promotion schemes (I) Export Oriented Units & (II) Special Economic Zones, and both are obliged to earn maximum Net foreign Exchange. The Government has extended many concessions / exemptions to this units to facilitate export promotion.

The country has been suffering on balance of Payment Situations since a quite a long and to improve the situation, we have to make our exports competitive.



One of the major focus of the government is on reducing cost of goods for export-oriented units is to reduce the undue tax burdens which may have a cascading effect on net cost of goods.

But, it has been observed that even though more than 2 years has passed since the passage of GST legislation across the country the ***EOU Units which are generating Exports of nearly INR Rs. 36,591/- crores for the year 2017-18 and is steadily declining after implementation of GST Regime upto 50% than the previous year (Data Attached to the letter), the Turnover of the EOU units for the year 2016-17 was INR Rs.74,771/- crores.***

One of the principal reasons behind drastic decline of Export from the EOU Units is the in-ability of EOU Units in utilizing Input Tax Credit in comparison to SEZ units as well as DTA units in the GST Regime.

As per the provisions of EOU Schemes, the Units has to earn Net Foreign Exchange from the Unit and hence sells a very little of their production in the Domestic Tariff area where they can utilize ITC credits in GST, because of this condition there is huge ITC credits in Trans-1 remains un utilized for years and is carry forwarded to the forthcoming years.

To bring to your Notice, that in the pre-GST regime, the EOU Units were getting refund on VAT credit on capital goods at the time of assessment of VAT Returns by the state government authorities. But due to absence of such provision in the current GST regime, EOUs are not getting any TAX REFUNDS on accounts of Credit due to Capital purchases.

There are approximately, 1832 EOU units operating in India and exporting nearly 36 Thousand crores worth of goods annually, but figure was Around INR 75 thousand Crores just a year back, clearly indicates the plight of the EOU units facing in the country.



You are therefore requested to take positive steps in this direction and do the needful so that our exports from the EOU units remains Competitive over a period of time.

In anticipation of the earliest action from your end.

Thanking you,

Yours Sincerely,

Durgesh Buch

President

C.C.:

- 1.) **Shri Nitin Patel, Dy. Chief Minister and Finance Minister, Government of Gujarat, 2nd Floor, Swarnim Sankool, Sachivalay, Gandhinagar.**
- 2.) **Dr. Anup Wadhwan – Commerce Secretary, Ministry of Commerce, Government of India, Room No. 143, Udhog Bhawan, New Delhi – 110007.**
- 3.) **Shri Sudhansu Pandey – IAS, Additional Secretary, Ministry of Commerce, Government of India, Room No. 121, Udhog Bhavan, New Delhi – 110007.**
- 4.) **Shri Ajay Kadakia, Chairman, Chemixil, Jhansi Castle, 4th Floor, 7 Cooperage Road, Mumbai – 400 001.**
- 5.) **Shri Pramod Agarwal, Chairman – GJEPC, Office No. AW 1010, Tower A, G Block, Bharat Diamond Bourse, Next to ICICI Bank, Bandra-Kurla Complex, Bandra - East, Mumbai - 400 051, India**
- 6.) **Sanjeev Kumar- IAS, Commissioner of Commercial Tax, Gujarat.**

SEZ Policy Reform Initiative

While above achievements are in no way insignificant, a comprehensive analytical assessment of the performance of the sector has highlighted the need that certain aspects of the SEZ Policy and Operational framework perhaps require a re-look with a view to possible reform in order to ensure that the laid down objectives of the SEZ Policy are better achieved.

The geographical dispersion of the SEZs is mainly limited to seven States, Andhra Pradesh, Gujarat, Karnataka, Kerala, Maharashtra, Tamil Nadu and Telangana. These States account for the nearly 75% of the SEZs established so far. Further, most of the established SEZs. Particularly, IT/ITES SEZs have come up in and around major urban centres. The sectoral dispersion of the SEZs also indicates that manufacturing SEZs are not markedly visible. With the availability of land becoming increasingly difficult, setting up of multi product SEZ becomes more challenging as it required minimum 1000 hectares of contiguous and vacant land. The operational issues relating to FTWZs, procedure for refund of CST, service tax etc., also need further elaboration.

In order to address these concerns, inputs have been received from the stakeholders after meetings with the Principal Secretaries (Industries) of the State Governments, and by organizing outreach seminars under the auspices of the Zonal DCs. Inputs have also been received from trade associations like NASSCOM, ASSOCHAM, Federation of Indian Chambers and CII etc. Further action in this regard is in progress.

In short span of about ten years since SEZs Act and Rules were notified in February, 2006, formal approvals have been granted for setting up of 423 SEZs out of which 354 have been notified. Out of the total employment provided to 17,78,851 persons in SEZs as a whole 16,44,147 persons is incremental employment generated after February, 2006 when the SEZ Act has come into force. This is apart from millions of man days of employment generated by the developers for infrastructure activities. Physical exports from the SEZs has increased from Rs.4,67,337 crore in 2015-16 to Rs.5,23,637 crore in 2016-17, registering a growth of 12.05%. The total physical exports from SEZs as on 30th June, 2017 i.e. in the first quarter of the current financial year 2017-18, has been to the tune of Rs.1,35,248 crore approximately. The total investment in SEZs till 30th June, 2017 is Rs.4,33,142 crore approximately, including Rs.4,05,690 crore in the newly notified SEZs set up after SEZ Act, 2005. A total of 222 SEZs are exporting at present. Out of this 129 are IT/ITES, 23 Multi product and 70 other sector specific SEZs. There are a total of 4,643 units setup in the SEZs.

EXPORT ORIENTED UNITS (EOUs)

The Export Oriented Units (EOUs) scheme was introduced in early 1981, primarily to boost exports by creating additional production capacity. It was introduced as a complementary scheme to the Free Trade Zones/Export Processing Zone (EPZ) Scheme introduced in the sixties, which had not attracted many units due to locational restrictions. It adopts the same production regime as SEZs (erstwhile EPZs) but offers a wide option in locations.

Units undertaking to export their entire production of goods and services, except permissible sales in the DTA, as per the Export-Import Policy are referred to as export oriented units (EOUs). The EOU's function under the administrative control of the concerned Development Commissioner of Special Economic Zone i.e., under the Department of Commerce, Government of India.

The EOUs are governed by the provisions of Chapter 6 of the Foreign Trade Policy (FTP) and its procedures, as contained in the Handbook of Procedures (HBP). Provisions of the said Chapter 6 and its procedures have also been made applicable to the Electronics Hardware Technology parks (EHTPs), Software Technology Parks (STPs) and Biotechnology

Parks (BTPs). Hence the scheme is for EOU/STP/EHTP/BTP and is referred in common parlance as EOU Scheme.

As on September 30, 2017, 1832 units are in operation under the EOU Scheme. State-wise distribution of EOUs is given in table below:

State-wise distribution of functional EOUs	
States/UTs	Functional EOUs as on 30.09.2017
Andhra Pradesh	76
Telangana	165
West Bengal	45
Jharkhand	2
Orissa	1
Meghalaya	1
Gujarat	177
Kerala	83
Karnataka	376
Tamil Nadu	416
Pondicherry	12
Maharashtra	225
Goa, Daman & Diu	37
Dadra & Nagar Haveli	16
Delhi	12
Haryana	55
Uttar Pradesh	55
Punjab	7
Rajasthan	55
Himachal Pradesh	4
Jammu & Kashmir	2
Chandigarh	2
Uttarakhand	1
Madhya Pradesh	7
Total	1832

Export Performance by EOUs (Rs. In Crores)	
Year	EOUs Exports
2012-13	92089.80
2013-14	82072.71
2014-15	98803.29
2015-16	97493.23
2016-17*	74771.89
2017-18* (upto 30.09.2017)	36591.90

*Note: Provisional as APRs & QPRs from some of the units are yet to be received.

Exports during 2017-18 (upto 30.09.2017) from EOUs are of the order of Rs. 36591.90 crore as compared to the export of Rs. 74771.89 crore during 2016-17. EOUs are mainly concentrated in textiles and yarn, food processing, Gems & jewellery, computer software, electronics, chemicals, plastics, granites and minerals/ores. ■