SEZs say DTA duty relief 'too narrow', see little benefit for 80% of supplies

CONCESSIONS SOUGHT. Council urges wider coverage, higher 50% cap, longer tenure and procedural easing

Amiti Sen
New Delhi

Special Economic Zone (SEZ) units have criticised the government's recent tax concessions for Domestic Tariff Area (DTA) sales (sales in the domestic market), citing data that shows the policy may not benefit as much as 80 per cent of the supplies.

In a formal presentation to the Commerce Department recently on ease of doing business problems, the Export Promotion Council for EOUs and SEZs also sought the concession for a longer period of 2-3 years and a higher cap of 50 per cent instead of 30 per cent (annual exports recorded in any of the three immediately preceding financial years).

"Industry representatives argued that the current

EXCLUSION. According to the Export Promotion Council's analysis, a majority of goods manufactured in SEZs fall outside the categories that effectively benefit from the concessional duty structure, limiting its practical utility BIJOY GHOSH

framework was a welcome step towards easing restrictions on SEZ units selling in the domestic market, but remained too narrow in scope to deliver meaningful relief," a source tracking the matter told *businessline*.

'NOT ENOUGH'

The government had recently allowed SEZ units to sell goods in the DTA at concessional duty rates — a long-standing demand aimed at improving utilisation levels and providing flexibility amid weak global demand.

However, the relief was introduced only as a one-time measure, restricted to a single fiscal year, and carried a strict cap that limited such sales to 30 per cent of the highest annual exports recorded in any of the three immediately preceding financial years.

PRODUCTIVITY HIT

According to the council's analysis, a majority of goods manufactured in SEZs fall outside the categories that effectively benefit from the concessional duty structure, limiting its practical utility. "The present concessions cover only a small subset of products and transactions, leaving nearly 80 per cent of supplies without any tangible advantage. Moreover, about 13 per cent of DTA supplies get a marginal 1 per cent duty concession," the source said. "Without broader coverage and more concessions, the measure risks being largely symbolic."

Units maintain that the existing cap on such sales, along with the limited duration of the concession, constrains their ability to plan production and inventory efficiently.

"The council has recommended that the permissible limit for concessional DTA sales be raised to 50 per cent, from the current lower threshold of 30 per cent, and that the policy be extended for at least two to three years to provide certainty. It also flagged the need for clearer guidelines to avoid procedural delays at customs," the source said.

The process of taking certificates from DCs (development commissioners) for meeting various conditions has to be streamlined and made industry friendly, the council said in its presentation. It suggested that the requirement should be one time rather than on each shipping bill and also sought online facility for outlying SEZ units.