

# EY Tax Alert

**CBIC notifies concessional rate of customs duty on goods manufactured by SEZ unit and cleared into DTA**

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## Executive summary

This Tax Alert summarizes a Notification<sup>1</sup> issued by Central Board of Indirect Taxes and Customs (CBIC) notifying concessional rates of basic customs duty (BCD) and Agriculture Infrastructure and Development Cess (AIDC) on specified goods manufactured by a unit in Special Economic Zone (SEZ) and cleared into Domestic Tariff Area (DTA).

### Highlights:

- The Notification is effective between 1 April 2026 and 31 March 2027.
- Benefit under the Notification shall be available only to the SEZ units which had commenced production on or before 31 March 2025 and shall not be available to Free Trade Warehousing Zone (FTWZ) or on goods which after importation in the SEZ are removed, as such or after use, to the DTA.
- Goods cleared into DTA under the Notification should have undergone a minimum value addition of 20%.
- The aggregate value of such goods in a financial year shall not exceed 30% of the highest annual Free-on-Board (FOB) value of exports in any one of the three immediately preceding financial years.
- No duty drawback or other export benefit under the Foreign Trade Policy should have been availed by either the SEZ unit or the supplier in respect of inputs used in such goods.

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<sup>1</sup> Notification No. 11/2026 - Customs dated 31 March 2026

## Background

- To address the concerns arising about utilization of capacities by manufacturing units in the Special Economic Zones (SEZ) due to global trade disruptions, Finance Minister, in her Budget 2026-27 speech, had proposed a special one-time measure, to facilitate sales by eligible manufacturing units in SEZs to the Domestic Tariff Area (DTA) at concessional rates of duty.
- Accordingly, Central Board of Indirect Taxes and Customs (CBIC) has now issued a Notification<sup>2</sup> to operationalize the above proposal.

## Highlights

- Concessional rates of basic customs duty (BCD) and Agriculture Infrastructure and Development Cess (AIDC) have been notified on specified goods manufactured by SEZ units and cleared into DTA between 1 April 2026 and 31 March 2027.
- The above benefit shall be available only to the SEZ units which had commenced production of goods on or before 31 March 2025.
- The concessional rates of customs duty shall not be applicable to Free Trade Warehousing Zone (FTWZ) or on goods which after importation in the SEZ are removed, as such or after use, to the DTA.
- SEZ units claiming the above benefit shall be subject to audit under Rule 79 of the Special Economic Zone Rules, 2006.
- Concessional rate of duties under the Notification shall be available subject to the following conditions:
  - Bill of entry for home consumption shall be filed by SEZ unit on the common portal and shall be assessed by the proper officer.
  - The goods cleared should be manufactured by the unit and should have undergone a minimum value addition of 20%.
  - The aggregate value of goods removed to the DTA under the notification in a financial year shall not exceed 30% of the highest annual Free-on-Board (FOB) value of exports of the manufactured goods in any one of the three immediately preceding financial years.
  - No duty drawback or other export benefit under the Foreign Trade Policy should have been availed by either the SEZ unit or the supplier in respect of inputs used in such goods.
  - At the time of removal of goods, the unit shall produce a certificate from the jurisdictional Development Commissioner certifying production commencement date, FOB values of exports for preceding three years, and value addition.
  - The unit shall also furnish a declaration to pay the differential duty in the event of non-fulfilment of any of the specified conditions.

## Comments

The measure is expected to benefit SEZ units by enabling them to clear accumulated inventory into the Domestic Tariff Area (DTA), which could not be exported due to global trade disruptions.

In general practice, bill of entry for home consumption is filed by DTA entity at the time of clearance of goods, and the SEZ unit does not independently discharge GST on such supplies.

However, under the present notification, since the bill of entry is required to be filed by the SEZ unit, the possibility of a dual levy of IGST may have to be examined *i.e.*, first at the time of filing the bill of entry for home consumption and again by treating the transaction as a supply under the GST framework.

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<sup>2</sup> Notification No. 11/2026 - Customs dated 31 March 2026

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