Procedure for setting up an unit in the Special Economic Zone

The information presented in this docket is updated as on **May 15, 2005** and has been compiled from the following sources

Cochin Special Economic Zone – www.csez.com
Santacruz Electronics Export Processing Zone – www.seepz.com
Ministry of Commerce, Govt of Inida – www.sezindia.nic.in ; www.eouindia.com
Madras Export Processing Zone - www.mepz.gov.in

Detailed Information is available in the following publications

Handbook of Procedures – Vol I - 1 Sept, 2004 – 31 March, 2009 – Ministry of Commerce & Industry – Govt of India – Refer Chapter 7

Foreign Trade Procedures – 1 Sept, 2004 – 31 March, 2009 - Ministry of Commerce & Industry – Govt of India – Refer Chapter 7

The information is also available on dgft.delhi.nic.in

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I. Application to set up an SEZ unit

Indian Companies

1. The unit / promoter has to apply in Form 14-I-A (3 copies) along with the following documents to the

   Development Commissioner
   MEPZ Special Economic Zone
   National Highway 45,
   Tambaram,Chennai-600045
   Tel:91-44-22628220, 22628230, 22628233
   Fax: 91-44-2628218
   Email : dc@mepz.gov.in

   a) with Project Report (including a write up on the background of the promoters establishing their credentials and standing. Please see Appendix 14-I- B)

   b) DD for Rs.5,000/ - (Rupees Five Thousand Only) in favour of - ***Pay & Accounts Officer, Ministry of Commerce and Industries , Deptt. of Commerce, payable at Central Bank of India, New Delhi.***

   c) A copy of the Certificate of Incorporation and Memorandum and Articles of Association in case of companies / attested copy of registered Partnership deed.

2. Units can also be proprietary or registered partnerships. In such cases applications should be signed by the proprietor or any one of the partners as the case may be. A company that is already registered in India can start operations in the Zone without having to incorporate a new company. Separate accounts, including sufficient Bank accounts, suffice.

II. Foreign Corporates starting units

1. Foreign Corporates can start units for manufacturing or for rendering services in the SEZ by opening a Branch of their foreign corporate in the SEZ. However, units which intend trading with the local market in India would need to incorporate a new company under the Indian Companies Act by first

applying for allotment of a name as an Indian Company, and thereafter for registration to the

Registrar of Companies,
Block 6, IInd Floor, Shastri Bhavan,
26, Haddows Road, Chennai - 600 006.
Telephone : 044 – 2827 7182, 2827 2676, 2827 6654
Fax No.044-28234298
email : rocmad.sb@sb.nic.in ; roc@tn.nic.in
url : http://www.rocchennai.tn.nic.in

2. Foreign Corporates/ NRIs may note that investment proposals in the Zone qualify for bringing in funds into India under the automatic route of the Reserve Bank of India. This means that no prior approval is required for bringing in the funds and that they may subscribe to the Memorandum and Articles of Association without prior approval of the RBI if the investment proposal has been cleared by the Zone Administration. The funds should be brought through normal banking channels. However they should intimate receipt of funds from abroad within 30 days of receipt in the prescribed form to

Reserve Bank of India,
Exchange Control Department,
Fort Glacis, Rajaji Salai,
Chennai-600 001,
Tel: + 91 44 25360211

III. Acceptance of Proposals

1. Proposals for setting up units in SEZ other than those requiring industrial Licence may be granted approval by the **Development Commissioner within 15 days**.

2. Proposals for setting up units in SEZ requiring Industrial Licence may be granted approval by the **Development Commissioner after clearance of the proposal by the SEZ Board of Approval and Department of Industrial Policy and Promotion within 45 days.**

IV. Letter of Permission

1. After submitting the application form and if every thing is in order, Letter of Permission (LOP) is issued by the Zone Administration within 2 weeks after interview of the promoter by the Approval Committee. For format of LOP please see **Appendix 14-IE**

2. The Letter of Permission is valid for a period of three years within which the prospective investor is required to commence production.

3. Letter of permission (LOP) / Letter of Intent (LOI) issued to SEZ units by the Development Commissioner shall be valid for a period of 5 years from the date of commencement of production and would be construed as a licence for all purposes, including for procurement of raw material and consumables either directly or through canalising agency.

4. The LOP / LOI shall specify the items of manufacture/service activity, annual capacity, projected annual export for the first years in dollar terms, Net Foreign Exchange Earnings (NFE), limitations, if any, regarding sale of finished goods, by products and rejects in the DTA and such other matter as may be necessary and also impose such conditions as may be required.

5. The unit should issue a letter accepting terms & conditions of the LOP on its letter pad. There is no specified format for the same.

V. Legal Undertaking

1. A legal undertaking (LUT) in the prescribed form undertaking to abide by the terms and conditions of the LOP has to be executed by the unit in format at **Appendix 14-I-F.**

2. It is suggested that a draft be submitted for vetting by the **office of the Development Commissioner**.

3. The Legal Undertaking has to be executed on stamp paper of the value of **Rs.100/ - (Rupees One Hundred only)** bought by unit. The unit has to **submit the original plus two copies**. The matter is to be typed on single side of the paper.

4. The Legal Undertaking has to be executed by the proprietor in the case of proprietary firm. In case of a partnership firm, the LUT shall be executed in the name of the partnership firm, through the partners to be specified, or the Managing Partner, if so specified in the Partnership Deed. In case of Limited Company, the LUT shall be executed by the Managing Director or two Directors of the Company and the common seal of the company has to be affixed in the last page of LUT.

5. Each page of the LUT has to be signed. In case these persons cannot sign the LUT before the Development Commissioner in person, each page of the LUT is to be notarized and submitted for approval of the Development Commissioner.

6. After execution one copy will be returned to the unit and one copy given to Customs.

7. The Development Commissioner will accept the LUT and communicate the acceptance in writing to the unit.

VI. Green Card

1. Green Card will be issued to the unit by the Zone Administration after execution of the LUT. There is no prescribed application form for the same. This will help the unit to clear the import consignment from various ICDs / Ports, etc.

VII. Import Export Code

1. If the unit does not have an Import Export Code (IEC), it will apply in the prescribed form **(Aayaat Niryaat Form)** to the Zone Administration for the same. The application form has to be accompanied by the following documents:

    a) Application fee of Rs.1000/- (Rupees One Thousand only) in the form of demand draft favouring the Development Commissioner, MEPZ payable at Chennai.

    b) Certificate from the Banker of the unit as per **Annexure 1** of the application form.

    c) Two copies of the passport size photograph of the applicant attested by the Banker of the unit.

    d) A copy of the Permanent Account Number (PAN) issued by the Income Tax Authorities, attested by the applicant.

    e) The IE Code is incorporated in the DGFT Web-site by the Zone Administration whereupon a Business Index Number (BIN) is generated. This is required for the all imports and exports by the unit.

    f) In case the unit has already got an IE Code the premises of the Zone has also have to be endorsed by the authority who issued the IE Code in the first place.

VIII. B-17 Bond

After obtaining LOP, the unit has to approach Customs for obtaining the facilities of duty free import and excise - duty free procurement of indigenous goods of the raw material and capital goods required for the manufacture of finished products in Bonded warehouse u/s 58 & 65 of Customs Act, 1962 for the purpose of 100% export out of India.

For this purpose, the unit has to execute a Bond known as **B-17 Bond** which, inter adia, covers an undertaking by the unit to pay on demand an amount equal to the duty leviable on the goods imported duty free that are not proved to the satisfaction of the Asstt. Commissioner of Custom to have been used in the manufacture of articles for export.

B - 17 Bond is a surety bond taken to cover almost all the activities of the unit. These include:

a. Transshipment of import / export goods between port of import / export and units premises.
b. Duty free import/procurement from the indigenous sources as per relevant notification and warehousing/storage in the unit.
c. Movement of duty free goods for job work and return.
d. Temporary clearance for repair and display in exhibition, testing/approvals etc
e. Movement of goods against AR-4, AR-3A, and CT-3 etc and transfer from one warehouse to another.

1. The unit has to execute a multi-purpose bond with the Dy. Commissioner (Customs) of the Zone. For this purpose the unit has to submit a draft Bond in format prescribed under Notification No. 6/98 CE (N.T) dt. 2-3-98 - for vetting along with a copy of its project report and LOP to the Deputy Commissioner's Office in the Zone. The unit has also to submit a work sheet authenticated by the authorized signatory showing the details of imported / indigenous material covered by the Bond.

2. The Bond value is fixed at 25% of the duty amount foregone on domestic procurement as well as imported capital goods required in the next 5 years plus and duty foregone on 3 months projected requirements of raw materials and consumables (both imported and domestically procured).

3. In the event of a valid surety not being arranged, a further surety equivalent to the value of the Bond or a bank guarantee equivalent to 5% of the bond value has to be submitted along with the **B-17 Bond**.

4. The Bond has to be executed in person by the person authorized by a Resolution of the Board of Directors in the case of a company, by the Proprietor or by any one of the Partners in other cases.

5. The Bond may be executed by the authorized signatory of the unit on stamp paper of the value of **Rs.300 /- (Rupees Three Hundred only)** bought by unit. The matter is to be typed on single side of the paper. In case the authorized signatory is unable to be present in person at the Development Commissioners Office, the signature should be notarized.

IX. Clearances from Dept of Customs & Central excise

After the approval from the Development Commissioner concerned, the manufacturing and other activities have to be undertaken under customs bond for which formal application is to be made to the jurisdictional Assistant Commissioner / Deputy Commissioner of the Customs/ Central Excise for issuance of a Private Custom Bonded Warehouse Licence under section 58 and 65 of the Customs Act, 1962. The application shall be accompanied by the following documents/information: -

a. Copy of notification where under the place (proposed location of unit) has been declared as warehousing station under section 9 of the Customs Act. In case the approved place is not a notified warehousing station, a separate application for issuance of such notification is to be submitted to the Commissioner of Customs through the jurisdictional Assistant Commissioner/ Deputy Commissioner.
b. Copy of LOA / LOP issued by Development Commissioner concerned and LUT accepted by the Development Commissioner.
c. Application for grant of licence u/s 58 & 65 of Customs Act, 196
d. FORM B-17 Bond
e. Bank Guarantee
f. Insurance Policy for Fire & Burglary …… (For capital goods)
g. Supplementary Terms and Conditions
h. Affidavit with respect to non envolvement in Customs & Central Excise Case
i. Details of the premises including ground plan, purchase/rent/lease deed, allotment letter from Industrial Development Corporation/ Authority (if any)

j. Details about the constitution of the firm/company including its Proprietor/Partners/Directors etc.
k. Project Report indicating stage wise manufacturing process.
l. List of raw material, consumables and capital goods etc. required.
m. Undertaking that cost recovery and other charges shall be paid
n. Agreement with STPI / MEPZ for Export Commitment
o. Green Card No
p. Self Removal Procedure approval request letter
q. Solvency Certificate
r. IEC Certificate
s. PAN
t. Memorandum & Articles of Association

After verification of the premises and relevant documents, the requisite licence under section 58 and 65 of the Customs Act will be issued by the Assistant Commissioner/ Deputy Commissioner Customs/ Central Excise on priority basis.

X. Single Window Clearances

SEZ Units are to be provided a single window clearance , as envisaged for such units by the Ministry of Commerce & Industry . The unit concerned would be required to furnish the details as per the Application form for registration to the

Development Commissioner
MEPZ Special Economic Zone
National Highway 45,
Tambaram,Chennai-600045
Tel:91-44-22628220, 22628230, 22628233
Fax: 91-44-2628218
Email : dc@mepz.gov.in

The Development Commissioner would in turn send arrange for the same to be sent to the concerned Deputy / Assistant Commissioner (customs or central Excise, as the case may be) for verification and grant of the Registration Certificate bearing 15 digit PAN based Registration Number . The Number would be automatically generated and sent back to the Development Commissioner for handing over to the concerned unit. *(The State SEZ Bill would cover the modalities of Single Window clearances)*