

SEZ INSTRUCTION No 2/2009  
**Office of Development Commissioner**  
**Cochin Special Economic Zone**  
**Kakkanad**  
**Kochi – 682 037**

Sub: Trading Units – procurement of goods from DTA – reg

On a review of the permissions accorded to units in Cochin Special Economic Zone, it is observed that there are manufacturing units who had been permitted to broadband their activities to include trading. Such permissions had been accorded prior to 10<sup>th</sup> February 2006 before the SEZ Act, 2005 came into force.

2. Under the SEZ Rules, 2006, trading is a service and it is not usual for a Letter of Approval to incorporate both manufacturing and service unless the service is related to the item of manufacture. Hence, permissions such as referred to *supra* are not being granted. Trading implies passage of goods through the Special Economic Zone without any alteration and as the SEZs are established with export of goods and services as a primary objective, movement of goods procured from the Domestic Tariff Area to the international market through the SEZ is no longer encouraged. The entrepreneur can export goods directly from the Domestic Tariff Area without any infringement of benefits thus rendering such activity through the SEZ superfluous. It also creates problems of administration in a system that is grounded in self-declarations and limited access control.

3. While there is no intention to hamper transactions that had been permitted in the pre-statutory era, manufacturing units that have been permitted to include trading in their Letters of Permission shall be required to evaluate their business processes for continuance of trading in specified items. Till such evaluation is completed and the need for continuance furnished with justification to the undersigned, trading permissions granted to manufacturing units shall be held in abeyance.

4. Such units which have been permitted to incorporate trading as an authorised operation shall, in future, declare the items intended to be procured from the DTA and the suppliers in advance for obtaining permission of the undersigned. Commercial taxes registration details as well as the details of the jurisdictional Central Excise officer shall be furnished. Goods consigned to such units shall be allowed entry into the zone only if the documents indicate the declared supplier to be the consignor. Therefore, supplies of other vendors shall be barred from entry. This procedure shall apply to units with Letters of Approval for trading also.

5. This instruction shall come into force with immediate effect. Any difficulty in compliance may be brought to the notice of the undersigned.

  
(C J Mathew)  
Development Commissioner

To

All units in CSEZ

Copy to:

1. Deputy Development Commissioner
2. Deputy Commissioner of Customs
3. Security Officer