

Government notifies Conditional Concessional Customs Duty for SEZ to Domestic Tariff Area sales to boost manufacturing capacity

Measure to benefit around 1,200 SEZ units; Boost scale, cut costs, enhance resilience

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In line with the Budget announcement 2026, conditional customs duty concessions have been notified on clearance of goods manufactured in Special Economic Zones (SEZs) to the Domestic Tariff Area (DTA) to improve capacity utilisation of manufacturing units impacted by global trade disruptions. The measure is expected to benefit approximately 1,200 SEZ manufacturing units by enabling economies of scale, reducing costs and enhancing resilience, while preserving the export-oriented nature of SEZs.

The measure allows eligible SEZ manufacturing units to clear goods to the DTA at concessional duty rates, subject to a limit of 30 per cent of the highest annual Free on Board export value achieved in any of the three immediately preceding financial years. Export benefits such as duty drawback on inputs are not permitted for such clearances to prevent double benefits.

The notification prescribes key eligibility conditions, including a minimum 20 per cent value addition within the SEZ, calculated using a defined formula based on assessable value and input costs.

The concessional framework covers a broad range of sectors including mineral products; chemical products; plastics and rubber; hides and skins, leather products and articles of furskins; wood, cork and paper; textiles and textile articles; footwear and headgear; stone, ceramic and glass; base metals and articles thereof; machinery and electrical equipment; vehicles, aircraft and transport equipment; optical, medical and scientific instruments; arms and ammunition; and miscellaneous manufactured articles. However, sectors such as agriculture (including marine and processed food products, tobacco, etc.), marble and granite, gems and jewellery, vehicles, toys and petroleum are excluded.

For availing concessional duty benefits, SEZ units are required to furnish a Development Commissioner's certificate confirming compliance with conditions, along with a declaration to pay full duty in case of non-fulfilment. The units will also be subject to audit under SEZ Rules, 2006. The notification is effective from April 1, 2026 to March 31, 2027.

The above has been implemented vide Notification No. 11/2026-Customs dated March 31, 2026 issued under Section 25(1) of the Customs Act, 1962. The notification grants conditional customs duty concessions on goods manufactured in SEZs and cleared to the DTA, including reduced duty rates and, in certain cases, partial exemption from Agriculture Infrastructure and Development Cess. It applies to units that commenced production on or before March 31, 2025 and meet specified conditions, while excluding Free Trade Warehousing Zone units and goods imported into SEZs and cleared to DTA without adequate manufacturing.

As per Section 30 of the Special Economic Zones Act, 2005, clearance of goods from SEZs to the DTA is treated as imports into India and attracts applicable customs duties, which had affected the competitiveness of SEZ manufacturers. The present measure addresses this concern while ensuring a level-playing field for units operating in the DTA.

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