

II. CENTRAL EXCISE EXEMPTION NOTIFICATIONS UNDER VARIOUS EXPORT PROMOTION SCHEMES**GENERAL EXEMPTION NO. 2**

Exemption to specified excisable goods supplied for specific purposes by EOUs, a Software Technology Park or Electronic Hardware Technology Park Units:

[Notifn. No. 22/03-CE., dt. 31.3.2003 as amended by Notfn. Nos. 1/04, 14/04, 46/04,28/05, 31/06, 1/07, 26/07, 29/07, 24/08,26/08, 3/09, 25/09, 28/15, 30/15, 45/15]

In exercise of the powers conferred by sub-section (1) of section 5A of the Central Excise Act 1944 (1 of 1944), read with sub-section (3) of section 3 of the Additional Duties of Excise (Goods of Special Importance) Act, 1957 (58 of 1957) and sub-section (3) of section 3 of Additional Duties of Excise (Textile and Textile Articles) Act, 1978 (40 of 1978), the Central Government being satisfied, that it is necessary in the public interest so to do, hereby **exempts,-**

- (a) **all goods specified in Annexure-1** to this notification, when brought in connection with, -
- (i) **manufacture and packaging of articles or for production or packaging or job work for export of goods or services, into export oriented undertakings** (hereinafter referred to as the user industry) other than those units referred to in clauses (b) to (c);
- (ii) **manufacture or development of software, data entry and conversion, data processing, data analysis, control data management or call center services for export**, into Software Technology Park (STP) Unit or a unit in **Software Technology Park Complex** under the hundred percent export oriented scheme (hereinafter referred to as the user industry); or
- (iii) **the manufacture or development of electronics hardware or electronic hardware and software** in an integrated manner for export, into Electronics Hardware Technology Park (EHTP) unit or a unit in an Electronic Hardware Technology Park Complex (EHTP) under the hundred percent export oriented Scheme (hereinafter referred to as the user industry); or
- (b) **all goods specified in Annexure II** to this notification, when brought in connection with **production, manufacture or packaging of goods as specified in Annexure-III for export, into export oriented undertaking in horticulture, agriculture and animal husbandry sector** (hereinafter referred to as the user industry); or
- (c) **all goods specified in Annexure IV** to this notification, when brought in connection with **production, manufacture or packaging of aquaculture products for export**, into export oriented undertaking in aquaculture sector (hereinafter referred to as the user industry); or
- (d) all goods specified **in Annexure V** to this notification, when brought in connection with **quarrying of granite by export oriented undertaking** engaged in processing and manufacture or production of articles of granite for export(hereinafter referred to as the user industry),
- (e) **all goods specified in the First Schedule** to the Central Excise Tariff Act, 1985 (5 of 1986), when brought in for the purpose of **trading by the trading units which were** in existence prior to the 31st March, 2002 and having valid letter of permission to continue under the Export Oriented Undertaking Scheme, from the whole of,

- (i) the **duty of excise** leviable thereon under section 3 of Central Excise Act, 1944 (1 of 1944);
- (ii) the **additional duty of excise**, if any, leviable thereon under section 3 of the Additional Duties of Excise (Goods of Special Importance) Act, 1957 (58 of 1957); and
- (iii) the **additional duty of excise**, if any, leviable thereon under section 3 of the Additional Duties of Excise (Textiles and Textile Articles) Act, 1978 (40 of 1978),

subject to following conditions, namely:-

- (1) the user industry brings the excisable goods directly from the factory of manufacture or warehouse;
- (2) all excisable goods so brought are used by the user industry specified in clauses (a) to (d) for the purposes specified therein;
- (3) the user industry disposes of the said goods or the articles produced, manufactured, processed or packaged in such user industry, or the waste, scrap and remnants arising out of such production, manufacture, processing or packaging in the manner as provided in the Foreign Trade Policy and in this notification.
- (4) the user industry **executes a bond** with the Deputy Commissioner of Central Excise or Assistant Commissioner of Central Excise or Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, (hereinafter referred to as the said officer) in the prescribed form and for such sum as may be specified by the said officer for the proper account of the receipt, storage and utilization of such goods, to **achieve positive Net Foreign exchange Earning** and comply with the conditions stipulated in this notification and the Foreign Trade Policy, and binding itself to pay on demand,-
 - (a) an amount equal to duty leviable on the goods and interest at the rate specified in the notification of the Government of India, Ministry of Finance, Department of Revenue issued under section 11 AB of Central Excise Act, 1944 (1 of 1944) from the date of duty free procurement of the said goods till the date of payment of such duty, if -
 - (i) in the case of capital goods, such goods are not proved to the satisfaction of the said officer to have been installed or otherwise used within the user industry, within the period of validity of the Letter of Permission (LoP);
 - (ii) in the case of goods other than capital goods, such goods as are not proved to the satisfaction of the said officer to have been used in connection with the production or packaging of goods for export out of India or cleared for home consumption within the period of validity of the Letter of Permission (LoP)

Provided that-

- (a) where no SION have been notified, the generation of waste, scrap and remnants upto 2% of input quantity shall be allowed;
- (b) where additional items other than those given in SION are required as input or where generation of waste, scrap and remnants is beyond 2% of the input quantity, use of such goods shall be allowed on the basis of self-declared norms till such norms are fixed on *ad hoc* basis by the jurisdictional Development Commissioner

within a period of three months from the date of self declared norms and the unit shall undertake to adjust the self-declared/ *ad hoc* norms in accordance with norms as finally fixed by the Norms Committee for the unit. The ad-hoc norms will continue till such time the final norms are fixed by the Norms Committee;

(c) in case of utilization of a large number of inputs, wide variation in quantum of consumption of inputs or such other factors which render such fixation of SION difficult in the case of a particular unit, the Norms Committee may refer the case to the Board of Approval for a decision.

(iii) in the case of-

(a) **goods produced or packaged**, such goods **have not been exported** out of India, and

(b) **unused goods** (including empty cones, bobbins or containers, if any, suitable for repeated use) as **have not been exported or cleared for home consumption**,

within a period of **one year** from the date of procurement of such goods or within such extended period as the said officer may, on being satisfied that there is sufficient cause for not using them as above within the said period, allow,

(b) in case of **failure to achieve the positive Net Foreign exchange Earning**, the duty equal in amount to the portion of the duty leviable on the said goods but for the exemption contained in this notification and the duty so payable shall bear the same proportion as the unachieved portion of Net Foreign Exchange Earning bears to the positive Net Foreign exchange Earning to be achieved along with interest at the rate of as specified in the notification of the Government of India, Ministry of Finance, Department of Revenue issued under section 11 AB of the Central Excise Act, 1944, from the date of procurement of the said goods till the payment of such duty.

(5) the manufacturer of said goods follows the procedure contained in rules and 20 of the Central Excise Rules, 2002;

(6) Omitted.

(7) the **user industry engaged in trading shall not be allowed to,-**

(i) **sell any goods so brought in the domestic tariff area or remove samples in the domestic tariff area;**

(ii) **export goods through merchant exporter or through any other exporters;**

(iii) **transfer the goods to other export oriented undertaking or unit in Electronic Hardware Technology Park (EHTP) or Software technology Park (STP) or special economic zone;**

(iv) **remove the goods outside the bonded premises for the purpose of jobwork;**

2. The said officer may, subject to such conditions and limitations as may be imposed by him and subject to the provisions of the Foreign Trade Policy,-

(i) **permit the goods or goods** partially processed, manufactured, produced or packaged in the user industry to be taken outside the user industry without payment of duty, for the purposes of **repairs, processing, testing, display or job-work** or any other operation necessary for manufacture of the final product and to be returned to the user industry thereafter or remove the same without payment of duty under bond for export from job-worker's premises:

Provided that waste or scrap or remnants generated during such processes at the job worker's premises is either returned to the user industry or is cleared on payment of duty as if cleared into Domestic Tariff Area by the said user industry;

Provided further that the user industry may remove the capital goods temporarily within the country without payment of duty for the purposes of test, repair, calibration, refining and return thereof, after giving intimation to the said officer, subject to maintenance of proper accounts of removal and receipt of goods;

(ii) **Omitted**

(iii) **permit to remove moulds, jigs, tools, fixtures, tackles, instruments, hangers and patterns or drawings** from the premises of the user industry to the premises of **the sub-contractors** subject to the condition that the goods so removed **shall be brought back** to the premises of such user industry on **completion of job work**, within a period fixed by the said officer;

(iv) **Omitted**

(v) **permit the goods or goods partially processed or manufactured or packaged therefrom** in the unit to be taken **out of India** for the purpose of processing if such processing is not available in India, **after the approval of the Board of Approval**, without payment of duty and to be returned to the unit thereafter, subject to such condition or limitation, as may be specified by him in this behalf;

(va) permit the goods partially processed or manufactured or packaged therefrom in the unit to be taken out of India for purpose of processing on subcontract basis and clear therefrom the goods so processed without bringing back into India:

Provided that the goods partially processed or manufactured or packaged so taken out of India are specified in the Letter of Permission or Letter of Intent issued by the Development Commissioner;

(2a) The user industry may supply or transfer goods processed, manufactured, produced or packaged to another unit in a Special Economic Zone (SEZ), or Software Technology Park (STP) unit or Electronic Hardware Technology Park (EHTP) unit or to another Export Oriented Undertaking (EOU), as the case may be, for any of the purposes specified in clauses (a) to (d) of paragraph 1, after giving intimation to the said officer and subject to maintenance of proper accounts of removal and receipt of goods and following the rewarehousing procedure;

(2b) The user industry may supply or transfer capital goods to another unit in a Special Economic Zone (SEZ) or Software Technology Park (STP) unit or Electronic Hardware Technology Park (EHTP) unit or to another Export Oriented Undertaking (EOU), as the case may be, for use within the unit after giving intimation to the said officer, subject to maintenance of proper accounts of removal and receipt of goods and following the rewarehousing procedure such transferred goods may also be returned by the second unit to the original

unit in case of rejection without payment of duty after giving prior intimation to the said officer and by following the re-warehousing procedure.

2A. The user industry may supply or transfer capital goods to any other user industry or to a unit in special economic zone subject to the condition that the user industry shall give prior intimation to the jurisdictional Deputy Commissioner or Assistant Commissioner of Customs or Central Excise, as the case may be, before such supply or transfer of capital goods.

2B. The user industry may take outside the unit sample of manufactured goods to any other user industry or to an unit in special economic zone, as the case may be, without payment of duty for display, after giving intimation to the said officer subject to the condition that such sample shall be returned to the unit within a period of thirty days of taking out of sample from the user industry.

(2C) In respect of a group of EOUs or EHTPs or STPs or as the case may be, BTP units which source inputs centrally in order to obtain bulk discount and, or, reduce cost of transportation and other logistics cost and, or, to maintain effective supply chain, inter unit transfer of goods and services may be permitted on a case-to-case basis by the Unit Approval Committee. In case inputs so sourced are imported and, then, transferred to another unit, then value of the goods so transferred shall be taken as inflow for the unit transferring these goods and as outflow for the unit receiving these goods, for the purpose of calculation of NFE.

3. Subject to the satisfaction of the said officer, duty shall not be leviable in respect of-

(i) the goods when used by the unit engaged in the development of software **for imparting training** (including commercial training) subject to the condition that the unit imparting such training had **achieved positive Net Foreign exchange Earning (NFE)** prescribed in the Foreign Trade Policy and that no computer terminal shall be installed outside the premises of such user industry for this purpose;

(ii) the goods when used by the unit engaged in the development of **software** for the purposes of development or testing of software for export and for the purposes of providing consultancy services for development of software **“on-site” abroad** subject to the conditions and the procedure specified by the said officer in this behalf;

(iii) capital goods, raw material, consumables, spares, goods manufactured, processed or packed, and scrap or waste or remnants or rejects are destroyed within the unit after intimation to Customs authorities or destroyed outside the unit with permission of Customs authorities:

Provided that the remnants, remains or scrap after such destruction, if cleared into Domestic Tariff Area, applicable duty shall be levied on such goods:

Provided further that this provision shall not apply to gold, silver, platinum, diamond, precious and semi precious stones.:

Explanation: The consultancy fees received by software development units in convertible foreign currency for consultancy service for development of software on ‘site’ abroad shall be deemed to be export for the purposes of fulfillment of positive Net foreign exchange Earning under this notification.

4. The user industry engaged in the processing or manufacture or production of articles of granite for export as specified in clause (d) in the opening paragraph, may be allowed to take the goods, as specified in Annexure-V, out of the bonded premises to the granite quarries for the purposes of quarrying of granite subject to the following conditions, namely-

- (i) the quarries are in the name of the user industry either on lease basis or on ownership basis. The location and area of quarries or any subsequent change in location of quarry or quarries at a later stage shall be intimated by the user industry to the Development Commissioner and the said officer;
- (ii) the goods are used by the user industry for purpose of quarrying of granite meant for further processing or manufacture or production of articles of granite for export by its own export oriented undertaking;
- (iii) the user industry maintains a proper account of receipt, consumption and utilization of the goods and, of granite so quarried and transferred to its processing unit or to any other export oriented undertaking or unit in special economic zone, and shall submit such accounts periodically to the Development Commissioner of the special economic zone and to the said officer, in such form and in such manner as may be laid down by the Development Commissioner or the said officer, as the case may be.
- (iv) the said officer may, subject to such conditions and limitations as he may specify and subject to the provisions of the Foreign Trade Policy, allow-
 - (a) the user industry to supply granite so quarried to other export oriented undertaking or units in the special economic zone without payment of duty;
 - (b) the goods to be taken out temporarily without payment of duty for repairs and return thereof;
 - (c) the user industry to export the goods;
 - (d) destruction of obsolete capital goods without payment of duty, if such goods are destroyed in the presence of the Customs or Central Excise Officer;
- (v) the goods shall not be transferred or shifted to any other site or quarry owned or taken on lease by the user industry without permission of the said officer;
- (vi) the accounts of the goods used at the quarrying site shall be kept in the site in a properly constructed office to enable the verification of the same as and when required; and
- (vii) the granite so quarried shall be removed from the quarry site only for supply to unit's own processing unit or for supply to an other export oriented undertaking or the units in the special economic zone engaged in processing or production or manufacture of articles of granite and export thereof and shall not be allowed to be exported as such or to be cleared in Domestic Tariff Area.

5. Notwithstanding anything contained in this notification, the said officer may permit the user industry engaged in,-

- (a) processing of agriculture products referred to in sub-clause (i) of clause (a) of opening paragraph of this notification to take out goods as specified at Sl. Nos. 14 to 26 in Annexure-I; and
- (b) production or manufacture or packaging of articles as specified in clause (b) of opening paragraph of this notification to take out goods as specified at Sl.Nos.4 to12 in Annexure-I, to the fields and farms of contract farmers of the user industry for production or in connection therewith; and to bring back the produce to the user industry for exports, in accordance with the provisions of Foreign Trade Policy and Handbook of Procedures, Volume-I and subject to the following conditions:-

- (i) the user industry shall produce an agreement between it and contract farmer(s) to the said officer;
- (ii) in case of user industry other than those which are in existence for less than two years, they shall be required to furnish a bank guarantee equal to the total duty foregone on the goods so transferred to the fields or farms of contract farmers;
- (iii) prior to procurement of the goods, the user industry shall apply to the said officer, giving the details, such as, number of contract farmers and location of their farms, measurement of the farms or fields under contract farming, input-output norms of production as fixed by Directorate General of Foreign Trade and their projected requirements and after examination of the such projected requirement, the said officer, shall give permission for the procurement of the same on annual basis;
- (iv) in case of failure of the user industry to bring back the agriculture or horticulture produce so produced in the fields or farms of contract farmers to the user industry, as per the norms notified by the Directorate General of Foreign Trade, within the same season or such extended period as may be permitted by the Commissioner of Customs or Commissioner of Central Excise, as the case may be, due to any reason including natural calamity or loss of crop, the user industry shall be required to pay the duty equal to the duty foregone on the inputs so taken out to the fields or farms of the contract farmers;
- (v) the goods allowed to be transferred to the fields or farms of the contract farmers, at any point of time as may be decided by the said officer, the user industry shall be required to account for the goods so transferred to the fields or farms of the contract farmers;
- (vi) in case of non-accountal of goods so transferred or use of the goods in farms or fields other than those declared to the said officer, the user industry shall pay duty foregone on such un-accounted goods alongwith the interest at the rate as specified in the notification of the Government of India, Ministry of Finance, Department of Revenue issued under section 11 AB of Central Excise Act, 1944 within 10 days of receipt of demand notice, and in case of failure to pay the same, the said officer, may encash the bank guarantee and disallow duty free procurement under this notification;
- (vii) the user industry shall be required to have a premise(s) duty bonded under section 58 of the Customs Act, 1962 (52 of 1962), for storage of goods procured duty free under this notification and, of final products manufactured therefrom.

6. Notwithstanding anything contained in this notification, the exemption contained herein shall also apply to the goods used for the purposes of processing, manufacture, production or packaging of articles or services in an user industry and such articles or services (including rejects, wastes, scrap and remnants arising out of such processing, manufacture, production, or packaging of such articles) even if not exported out of India are allowed to be cleared outside the user industry under and in accordance with the Foreign Trade Policy and subject to such other limitations and conditions as may be specified in this behalf by Development Commissioner, or the Board of Approval or the Inter Ministerial Standing Committee (IMSC), as the case may be, on payment of applicable duty of excise, or where such articles are cleared to the warehouse appointed or registered under notification of the Government of India in the Ministry of Finance, Department of Revenue, No. 26/98-Central Excise (NT), dated the 15th July, 1998 or No. 46/2001-CE(NT), dated 26th June, 2001 or cleared to the warehouse authorised to carry on manufacturing process or other operation under section 65 of Customs Act, 1962 (52 of 1962) and under the Manufacture and Other Operations in Warehouse Regulations, 1966, or cleared to organizations which are entitled for duty free import of such goods in terms of the following exemption notifications-

1. No. 106/58-Customs dated the 29th March, 1958
2. No. 152/94-Customs dated the 13th July, 1994
3. No. 39/96-Customs dated the 23rd July, 1996
4. No. 50/96-Customs dated the 23rd July, 1996
5. No. 84/97-Customs dated the 11th November, 1997

issued by the Ministry of Finance in pursuance of clause (e) of paragraph 6.9 of the Foreign Trade Policy, without payment of duty:

Provided that goods which have been repaired, reconditioned, re-engineered shall not be allowed to be cleared outside the units:

Provided further that where such articles (including rejects, waste, scrap and remnants) are either non excisable or such articles (including rejects, waste, scrap and remnants) other than articles falling under heading/tariff item 8901, 8902 00 10, 8905 10 00 or 8906 if imported, are leviable to nil rate of duty of customs specified under First Schedule to the Customs Tariff Act, 1975 (51 of 1975) and nil additional duty leviable under section 3 of the said Customs Tariff Act, read with exemption notification in this regard, if any, no exemption in respect of inputs utilized for the purpose of processing, manufacture, production or packaging of such articles (including rejects, waste, scrap and remnants) shall be available under this notification.

7. Without prejudice to other provisions of this notification, where the said officer is satisfied that the user industry, which has been **permitted** by the concerned **State Electricity Board** in this behalf and has been permitted by **Development Commissioner to sell into Domestic Tariff Area or transfer to other export oriented undertaking or Software Technology Park (STP) unit or Electronic Hardware Technology Park (EHTP) unit or unit in special economic zone**, the **surplus power** generated in its diesel generating sets or captive power plant subject to fulfilment of such conditions as may be specified by the said officer on this behalf, the said officer may allow the user industry -

(i) to **sell such surplus power in Domestic Tariff Area** on payment of an amount equal to the **duty leviable on consumables and raw materials** but for the exemption of duty thereon, used for generation of each unit of power so sold in the Domestic Tariff Area on the basis of norms approved by the Board of Approval;

(ii) to **transfer such surplus power to other export oriented undertaking** or Software Technology Park (**STP**) **unit** or Electronic Hardware Technology Park (**EHTP**) **unit** or **unit in special economic zone without payment of duty**:

Provided that both supplying and receiving unit shall maintain account for the quantity of consumables and raw materials used in generation of each unit of power so transferred as quantified on the basis of norms approved by the Board of Approval, for the purpose of calculation of Net Foreign exchange Earning (NFE).

8. Without prejudice to any other provision contained in this notification, the said officer may, subject to such conditions and limitation as he may deem fit to impose under the circumstances of the case for the proper safeguard of the revenue interest and also subject to such permission of the Development Commissioner or the Board of Approval or the Inter Ministerial Standing Committee as the case may be, where it is exclusively required under Foreign Trade Policy, allow the user industry to clear any of goods for being taken outside the premises of such user industry to any other place in India, or to debond, in accordance with the Foreign Trade Policy -

Provided that no such clearance or debonding of capital goods under the Export Promotion Capital Goods

Scheme of Chapter 5 of the Foreign Trade Policy shall be allowed if the user industry has not fulfilled the positive NFE criteria at the time of clearance or debonding in terms of Para 6.18 (d) of Foreign Trade Policy.

such clearance or debonding of capital goods may be allowed on payment of an amount equal to the excise duty on the depreciated value thereof and at the rate in force on the date of debonding or clearance, as the case may be, if the unit has fulfilled the positive NFE criteria taking into consideration the depreciation allowable on the capital goods at the time of clearance or debonding. In case of failure to achieve the said positive NFE, the depreciation shall be allowed on the value of capital goods in the same proportion as the achieved portion of NFE.

The depreciation shall be allowed in straight line method as specified below, namely:-

- | | | |
|-----|---|---------|
| (a) | for computer and computer peripherals: | |
| | for every quarter in the first year | @ 10% |
| | for every quarter in the second year | @ 8% |
| | for every quarter in the third year | @ 5% |
| | for every quarter in the fourth and fifth year | @ 1% |
| (b) | for capital goods other than computer and computer peripherals: | |
| | for every quarter in the first year | @ 4% |
| | for every quarter in the second year | @ 3% |
| | for every quarter in the third year | @ 3% |
| | for every quarter in the fourth and fifth year | @ 2.5 % |
| | and thereafter for every quarter | @ 2% |

Explanation.- (1) For the purpose of computing rate of depreciation for any part of a quarter, a full such quarter shall be taken into account;

- (2) there shall be no upper limit for such depreciation and depreciation upto 100% could be allowed;
- (3) the depreciation shall be allowed for the period from the date of commencement of commercial production of the user industry or where such goods have been received after such commencement, from the date on which such goods have come into use for commercial production to the date of clearance or debonding, as the case may be.
- (4) unit which has not availed any duty benefit on procurement of raw material, capital goods, etc., may be provided fast track de-bonding or exit from the STP or EHTP scheme.

(ii) such clearance or debonding of used packing material such as cardboard boxes, polyethylene bags of a kind unsuitable for repeated use may be allowed without payment of any excise duty;

(iii) such clearance or debonding of goods other than those specified in clauses (i) to (ii) above may be allowed on payment of excise duty leviable on such goods, on the full value at the time of their clearance from the factory of manufacture and at the rates in force on the date of payment of such excise duty.

Provided that in a case of exit by a user industry where positive NFE criteria is fulfilled in terms of Para 6.18 (g) of Foreign Trade Policy, such clearance or debonding of goods shall be allowed under Advance Authorization as one time option on payment of applicable duty.

9. Notwithstanding anything contained in this notification, the said officer subject to the approval of the Commissioner of Customs or Commissioner of Central Excise, as the case may be, may allow diesel generating sets, captive power plants, central air-conditioning equipments, uninterrupted power supply system, networking equipments, EPABX, fax, photocopier equipments, data transfer protocol equipments and security system

procured by an export oriented undertaking, or Electronic Hardware Technology Park (EHTP) unit, or Software Technology Park (STP) unit to be utilized by other export oriented undertaking, or Electronic Hardware Technology Park (EHTP) unit, or Software Technology Park (STP) unit belonging to the owner of procuring unit for the purposes of development of software, data entry and conversion, data processing, data analysis and control data management or call center services and export thereof, but such goods shall not be removed from the premises of the procuring unit. The said officer subject to the approval of the Commissioner of Customs or Commissioner of Central Excise, as the case may be, may also allow sharing of infrastructural facilities among EOUs in accordance with and subject to the terms and conditions specified in para 6.12(g) of Foreign Trade Policy 2015-2020.

9A. An EOU which intends to set up warehousing facilities outside the EOU premises and outside the jurisdiction of Development Commissioner, at a place near to the port of export, to reduce lead time for delivery of goods overseas and to address unpredictability of supply orders, is permitted to do so subject to the provisions of notification No. 46/2001-CE (N.T.) dated the 26 th June, 2001 as amended from time to time.

10. Notwithstanding anything contained in this notification, the exemption contained herein shall also apply to computer and computer peripheral including printer, plotter, scanner, monitor, key-board and storage units (hereafter in this paragraph referred to as the said goods) procured indigenously when donated, by an user industry two years after the procurement and use by the user industry, to-

- (i) a school run by the Central Government or Government of a State or a Union territory or a local body; or
- (ii) an educational institution run on non commercial basis by any organization; or
- (iii) a registered charitable hospital; or
- (iv) a public library; or
- (v) a public funded research and development establishment; or
- (vi) a community information centre run by, the Central Government or, Government of a State or a Union territory or local body; or
- (vii) an adult education centre run by the Central Government or Government of a State or a Union territory or a local body ; or
- (viii) an organization of the Central Government or a Government of a State or a Union territory,

subject to the conditions that the donee undertakes to observe the procedure prescribed by the said officer having jurisdiction over the donor unit for transport of the said goods from the donor unit to the premises of the donee and such goods shall not be used by the donee for any commercial purposes, and shall not be sold, disposed of, gifted, loaned, exchanged or parted with without the permission of the said officer having jurisdiction over the donor unit, within a period of five years from the date of receipt of the said goods and during the said period of five year and the jurisdictional Deputy Commissioner or Assistant Commissioner of Customs, as the case may be, may inspect the school, educational institution, charitable hospital, public library, establishment or community information centre, as the case may be, specified in clauses (i) to (viii) on random basis to ensure that the goods are actually there and have not been diverted or put to unauthorized use:

Provided that where the donee is a school, educational institution, charitable hospital, public library, establishment or community information centre, as the case may be, specified in clauses (i) to (viii) (hereafter in this proviso referred to as the said organization), but not run by the Central Government, Government of a State, or a Union territory, or a local body, the donor unit shall furnish a certificate issued by the relevant Department of the Central Government or the concerned State Government or the Government of the Union

territory, as the case may be, certifying that the said organization is recognized by the Central Government or the State Government or the Government of the Union territory and is run on a non commercial basis.

10A. Notwithstanding anything contained in this notification,-

(i) the exemption contained herein shall also apply to spares and components, to the extent of 5 percent. of the Free on Board (FOB) value of the manufactured articles exported by the user industry during the preceding year for the purpose of supply of such spares and components for after-sale-service of the exported articles to the same consignor or buyer to whom manufactured articles were exported;

(ia) the exemption contained herein shall also apply to procurement of spares or components, upto 2% of the value of manufactured articles, cleared into DTA, during the preceding year, for supply to the same consignee or buyer for the purpose of after-sale service. The same can be cleared in DTA on payment of applicable duty but such clearances shall be within the overall entitlement of the unit for DTA sale at concessional rate of duty as prescribed in Para 6.08 (a) of Foreign Trade Policy 2015-2020.

(ii) the exemption contained herein shall also apply to procurement and supply of promotional materials like brochures, literatures, pamphlets, hoardings, catalogues and posters of products for the purpose of export promotion activities, to the extent of 1.5 (one point five) percent. of Free on Board (FOB) value of the preceding year's exports:

(iii) the exemption contained herein shall also apply to goods which are relatable to the articles manufactured by the unit for consolidation into sets alongwith such articles and export thereof (for example, cuff-links procured for exports alongwith shirts manufactured by the unit or a brush procured for packaging with the hair dye manufactured and exported by the unit, etc.), subject to the following conditions, namely:-

(a) no such exemption shall apply to gems and jewellery units;

(b) the value of goods eligible for exemption shall not exceed 5% of the FOB value of such manufactured articles exported by the unit in the preceding financial year;

(c) the list of goods to be procured under this clause shall be approved by the Board of Approval and the unit shall fulfill such conditions as may be specified by the Board of Approval in this behalf; and

(d) the goods procured and articles manufactured by the unit shall be listed out separately in the export documents:

Provided that the export value of such spares, components, promotional material and goods procured for consolidation shall not be taken into consideration for fulfillment of Net Foreign Exchange Earnings (NFE) and for availing Domestic Sale Entitlement as specified in paragraph 6.8 of the Foreign Trade Policy. The goods procured for consolidation shall not be allowed to be sold in Domestic Tariff Area.

10B. Notwithstanding anything contained in this notification, if the said officer is satisfied that the unit, engaged in the manufacture of textiles and textile articles has left over textile fabric or textile material, he shall allow such unit to clear such left over textile fabric or textile material into Domestic Tariff Area on

payment of duty on transaction value as if the goods have been manufactured in the unit:

Provided that such clearance shall be allowed only where the said officer certifies that the textile fabric or textile material proposed to be cleared are left over and such clearance do not exceed two percent. of value or the quantity of consignments in the previous year to which such left over textile fabric or textile material relates, whichever is lower.

Provided that such clearance shall be allowed only where the said officer certifies that the textile fabric or textile material proposed to be cleared are left over, and such clearance do not exceed two per cent. of assessable value of the consignment or two percent. of the quantity of the consignment to which this left over textile fabric or textile material relates, whichever is lower.

11. **Nothing** contained in this notification shall apply to the goods imported by **service sector export oriented undertakings** as specified in clause (a) in the opening paragraph, **who does not export services outside India.**

12. The notifications of the Government of India in the Ministry of Finance in the Department of Revenue, Nos. 136/94-Central Excise, dated the 10th November, 1994 (GSR 798(E), the 10th November, 1994), 1/95-Central Excise, dated the 4th January, 1995 (G.S.R. 8(E), dated 4-1-95), 10/95-Central Excise dated the 23rd February, 1995 (G.S.R. 87(E) dated 23rd February, 1995), 37/99-Central Excise dated, the 15th September, 1999 (G.S.R 637 (E), dated the 15th September, 1999) and 37/2000- Central Excise, dated the 8th May, 2000 (G.S.R 414(E) dated the 8th May, 2000), are hereby rescinded.

13. This notification shall come into force on the 1st day of April, 2003.

Explanation- For the purposes of this notification,-

(i) "Board of Approval" means the authority appointed by the Central Government in exercise of the powers conferred by section 14 of the Industries (Development or Regulation) Act, 1951 (65 of 1951) and the rules made under that Act;

(ii) "Domestic Tariff Area" means area except special economic zone, export oriented undertakings, Software Technology Park unit and Electronic Hardware Technology Park unit;

(iii) "Foreign Trade Policy" means Foreign Trade Policy, 2015-2020 notified by the Government of India in the Ministry of Commerce and Industry published in the Gazette of India, Extraordinary, Part-II, Section 3, Sub-section (ii) vide notification No. 01/2015-2020 dated the 1st April, 2015;

(iv) "export oriented undertaking" has the same meaning as assigned to "hundred percent. export oriented undertaking" in clause (ii) to the explanation of sub-section (1) of section 3 of the Central Excise Act, 1944 (1 of 1944);

(v) "Electronic Hardware Technology Park (EHTP) unit" means a unit established under and in accordance with the Electronic Hardware Technology Park Scheme notified by the Government of India in the Ministry of Commerce, vide notification No. 5(RE-95)/92-97, dated 30th April, 1995 and approved by the Inter Ministerial Standing Committee;

(vi) "Handbook of Procedures" means Handbook of Procedures notified by the Government of India in the Ministry of Commerce and Industry published in the Gazette of India, Extraordinary, Part-I, Section 1 vide Public Notice No. 01/2015-2020, dated the 1st April, 2015;

(vii) "Inter-Ministerial Standing Committee" means a committee appointed by the Government of India in the Ministry of Industry (Department of Industrial Development) vide notification No. S.O. 117(E), dated the 22nd February, 1993;

(viii) "merchant exporter" means a person engaged in trading activity and exporting goods.

(viii) "Software Technology Park (STP) unit" means a unit established under and in accordance with Scheme notified by the Government of India in the Ministry of Commerce and Industry vide notification No. 4(RE-95)/92-95, dated 30th April, 1995 and approved by the Inter-Ministerial Standing Committee;

(ix) "special economic zone" has the same meaning as assigned to it in clause (iii) to the Explanation 2 of sub-section (1) of section 3 of the Central Excise Act, 1944 (1 of 1944).

(x) "Status holder" means importer recognised as One Star Export House, Two Star Export House, Three Star Export House, Four Star Export House or as the case may be, Five Star Export House, in terms of the Foreign Trade Policy.

(xi) "NFE" means Net Foreign Exchange Earnings in terms of Para 6.04 of Foreign Trade Policy and Para 6.10 of Handbook of Procedure and shall be calculated in the manner explained in Annexure-I to Appendix 14-I-G of Handbook of Procedure.

(xii) "SION" means Standard Input Output Norms notified by Director General of Foreign Trade in Handbook of Procedures, Vol. 2, 2004-09/approved by Board of Approval.

(xiii) "Norms Committee" means the Norms Committee in the Directorate General of Foreign Trade, for recommending Input Output norms and value addition norms to be notified by the Director General of Foreign Trade.

(xiv) "Letter of Permission (LoP)" has the same meaning as assigned in Chapter 6 of the Foreign Trade Policy 2015-20 notified by the Government of India in the Ministry of Commerce and Industry, published in the Gazette of India, Extraordinary, Part-II, Section 3, Sub-section (ii) vide notification No. 01/2015-2020, dated the 1st April, 2015.

ANNEXURE-I

SI.No.	Description of Goods
1	Capital goods and spares and accessories thereof.
2	Material handling equipments, namely, fork lifts, over-head cranes, mobile cranes, crawler cranes, hoists and stackers and spares thereof.
3	Uninterrupted power supply system (UPS), pollution control equipment, quality assurance equipment, storage systems and parts thereof, special racks for storage and parts thereof, modular furniture and parts thereof, computer furniture and parts thereof, anti-static carpet, tele-conference equipment, servo control system, security system, panels for electrical, networking equipment, data transfer protocol equipment, Central Air Conditioning equipments, and airconditioning system, spares, and consumables thereof.
4.	Captive power plant including captive generating sets and transformers of capacity commensurate with the actual requirement of the unit and recommended by the Development Commissioner or

- Designated Officer. (For status holders, there shall be no requirement of recommendation by the Development Commissioner or Designated Officer).
5. Spares, fuel, lubricants, consumables and accessories for captive power plants including captive generating sets and spares, consumables and accessories for transformers as approved by the said officer.
 6. Office Equipment including PABX, fax machines, video projection system, computer, laptop, server, spares and consumables there of.
 7. Raw materials.
 8. Components.
 9. Consumables.
 10. Packaging materials.
 11. Tools, jigs, gauges, fixtures, moulds, dies, instruments and accessories and spares thereof.
 12. A Prototype or technical samples for each of the existing products for the purpose of product diversification, development or evaluation.
 13. Drawings, blue prints and charts.
 14. Filters
 15. Dripliers, Drip lines and Drip-fittings
 16. Micro Sprinklers and Misters
 17. Agriculture Sprinklers
 18. FertilizerTanks
 19. Valves
 20. Fertilizer pumps and Chemical injection
 21. Plant or parts thereof, seeds, saplings, tubers, bulbs, Rhizomes, roots cuttings,all types of grafts,tissue culture material, and other vegetatively propagated material utilized for sowing and planting
 22. Crates drums and preservation media (such as acetic acid and vinegar)
 23. Grading Tables.
 24. Green House equipment, accessories, heated rooting tables, propagation trays, seeding machines.
 25. Growing media such as Peat Moss (including peat litres) (whether or not agglomerated), Pearlite Vermiculate, Rockwool, Cocoa pet, Hydrocom, Foam based medium and other cultivation medium
 26. Fertiliser and chemicals for pre and post harvest treatments such as micro nutrients, plant and growth regulators and other organic or inorganic substances used for plant nutrition, insecticides, fungicides, weedicides, herbicides and the like.
 27. Raw materials for making capital goods for use within the unit for the purpose of production or manufacture of export goods.
 28. Any other item required within the user industry in relation to production for export goods or services with the prior approval of the Board of Approval or Inter Ministerial Standing Committee.

ANNEXURE-II

SI. No.

Description of Goods

1. Green House equipment, accessories, heated rooting tables, propagation trays, seeding machines.
2. Growing media such as Peat Moss (including peat litres) (whether or not agglomerated), Pearlite Vermiculate, Rockwool, Cocoa pet, Hydrocorn, Foam based medium and other cultivation medium.
3. Office equipments, spares and consumables thereof.
4. Fertilizers and chemicals for pre and post harvest treatments such as micro nutrients, plant and

- growth regulators and other organic and in-organic substances used for plant nutrition, insecticides, fungicides, weedicides, herbicides, and the like.
5. Plant or parts thereof, seeds, saplings, tubers, bulbs, Rhizomes, roots cuttings, all types of grafts, tissue culture material, and other vegetatively propagated material utilized for sowing and planting.
 6. Filters
 7. Dripliers, Driplines and Drip-fittings
 8. Micro Sprinklers and Misters
 9. Agriculture Sprinklers.
 10. Fertilizer tanks.
 11. Valve.
 12. Fertilizer Pumps and Chemical Injections.
 13. Animal feed such as cattle feed and poultry feed.
 14. Veterinary medicines including vaccines.
 15. Packaging materials including machinery and equipment for packaging.
 16. Cooling equipment for cold room, storage room, pro-cooling chambers and its accessories.
 17. Sorting equipment, Grading equipment, Packing equipment and temperature control or humidity control equipment.
 18. Power generating sets.
 19. Refrigeration and air-conditioning equipment for fitment on transport vehicles.
 20. Spare parts for the maintenance of goods mentioned at item Nos. 15 to 18 above.
 21. High Speed Diesel oil for power generating sets as approved by the Board of Approval.

ANNEXURE -III

Sl. No.	Description of Goods
1.	Live animals.
2.	Bird's eggs (fresh) in shells of heading 0404.
3.	Live trees and other plants; bulbs, roots and the like, cut flowers and ornamental foliage.
4.	Fresh vegetables; whole uncut sun dried vegetables; Fresh and uncut/sun dried roots and tubers of Chapter 7.
5.	Fresh and uncut/sun dried edible fruits and nuts of Chapter 8.
6.	Fresh or sun dried plants and parts of such plants.
7.	Silk worm cocoons and raw silk.

ANNEXURE-IV

Sl. No.	Description of Goods
1.	Capital Goods including plant and machinery for packaging, conveyor belts, and accessories, spares and consumables including lubricants therefor for spawning Hatchery, Aqua Farm, Processing Plant, Chilling unit (cold storage) and Feed plant.
2.	Material handling equipments, namely, fork-lifts, over-head cranes, mobile cranes, crawler cranes hoists and stackers and spares, consumables including lubricants therefor. .
3.	Captive power plant including power generating set and quality assurance equipments as recommended by Development Commissioner, and accessories.
4.	Tools, Jigs, Gauges, Fixtures, Moulds, Dies, Instruments and accessories.
5.	Cold room apparels.

6. Chemical for water treatment, Zeolite, Teaseed powder/cake, waste digesters, pesticides, fungicides, veterinary medicines including vaccines.
7. Office equipments, spares and consumables, thereof.
8. Feed for prawns/fish and other aquatic animals including Artemia (Brain Shrimp eggs and other Hatchery feeds).
9. Raw materials for feeds for aquatic animals, namely, meals of fish and other aquatic invertebrates like squid/prawns in liquid, powder or other forms, fish lipid oil, squid oil, veterinary grade premix of vitamins/ minerals not suitable for human consumption, sea weed powder, kalp Meal, Molasses, yeast, choline chloride, Antioxidents excluding Vitamins, Licitin, Di-calcium Phosphate and Calcium Lactate which are capable of use in other than veterinary application.
10. Preservatives, pre-mix taste makers, battering materials, special cooking medium, bread crumbs/ powder.
11. Packaging materials, all sorts.
12. High Speed Diesel oil for power generating sets as recommended by Board of Approvals.

ANNEXURE- V

Sl. No.	Description of Goods
1.	Hydraulic Excavators
2.	Pneumatic Compressors
3.	Jack Hammers
4.	Hydraulic Drilling Machines
5.	Line Drillers
6.	Front End Loaders
7.	Pneumatic Grinders
8.	Diamond Wire Saws
9.	Dressing Machine
10.	Core Drilling Machine
11.	Jet Burners
12.	Cranes
13.	Derricks
14.	Tippers and Dumpers
15.	Welding Machine
16.	Generating sets
17.	Steel Chains and Steel Ropes
18.	D-Shackles
19.	Diamond Wires
20.	Diamond Segments
21.	Tungsten Carbon Drill Rods
22.	Steel Feathers & Wedges
23.	Burner Nozzle
24.	Welding rods
25.	Hydraulic Oil and Lubricants
26.	Explosives
27.	Chisels, Hammers, Chain Pulley Blocks
28.	Steel Pillow Kits
29.	Dust Collector
30.	Consumables and Tools

31. Spares upto a value of 5 percent. of the value of respective goods specified at Sl.No.1 to Sl.No. 29 in each financial year.

**ANNEXURE-VI
Form CT -3**

No. -----

Date -----

**FORM CT -3
Certificate for removal of excisable goods under bond**

This is to certify that:

Mr./Messrs (Name and address) is/are bona fide licensee holding licence
No..... valid upto.....

That he/they has/have executed a bond in Form B-17 (General Surety/General Security)
No..... date..... for Rs..... With the Proper officer of Central Excise or Customs or Deputy
Commissioner of Central Excise or Customs..... and as such may be permitted to remove.....
(quantity) of..... (excisable goods) from the unit at..... to their undertaking.....
at.....

That the specimen signatures of his/ their authorised agent, namely, Shri..... are furnished
here below duly attested.

Specimen Signatures
owner or his agent

Sd/-

Central Excise Officer in charge of the
Attested export oriented undertaking
Authorised / Electronic Hardware
Technology Park (EHTP) unit/Software
Technology Park (STP) unit.