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Government of India
Ministry of Commerce & Industry
Department of Commerce
Directorate General of Foreign Trade
Vanijya Bhawan

Notification No. 71 /2023
New Delhi, Dated the 11 March 2024

Subject:- Enabling provisions for import of inputs that are subjected to mandatory Quality Control Orders (QCOs) by Advance Authorisation holders, EOU and SEZ.

S.O. (E) In exercise of powers conferred by Section 3 read with Section 5 of the Foreign Trade (Development & Regulation) Act, 1992 (No. 22 of 1992), as amended, read with Para 1.02 and 2.03 of the Foreign Trade Policy (FTP), 2023, the Central Government hereby makes the following amendments to FTP, 2023 with immediate effect, in supersession of Notification No. 69/2023 dated 07.03.2024.

2. A new para **2.03 (A)** is inserted below para 2.03 of FTP 2023, as follows:

“2.03A Importability of items under Advance Authorisation/EOU/SEZ without compliance to the mandatory Quality Control Orders (QCOs)

Import of Inputs under Advance Authorisation/EOU/SEZ without compliance to the mandatory QCOs, shall be subjected to the following conditions:

i) For Advance Authorisation:

- a) Import of inputs under the Advance authorisation without compliance to the mandatory QCOs shall be with pre-import condition. Such inputs shall be utilised in the manufacturing of the export product (making normal allowance for wastage) and shall be exported under the same authorisation.
- b) Exemption from mandatory QCOs shall be specifically endorsed in the Advance authorisation, upon the request of the authorisation holder. Imports under Authorisation without specific endorsement of exemption shall be made in accordance with mandatory QCOs.
- c) Any unutilised imports or the products manufactured with inputs imported without compliance to the mandatory QCOs, shall not be transferred to DTA, even after regularisation of default in fulfilment of export obligation. For the purpose of this para, unutilised imports means imported inputs (without compliance of mandatory QCOs) which have not been accounted for, as per SION/Ad-hoc Norms, in the product exported under the same authorisation.
- d) The unutilised imports shall be regularised as follows:
 - (i) The unutilised material shall be destroyed in the presence of jurisdictional GST/Customs authorities who shall certify the destruction of the goods or same may be re-exported;

(ii) In addition, such unutilised imports, irrespective of origin of goods, shall be liable to payment of effective duty on MFN basis along with interest on the exempted material, to Customs Authorities plus composition fee of an amount equivalent to 10% of the CIF value of unutilized imported inputs to DGFT. Proof thereof shall be submitted to the RA concerned before grant of EODC.

(e) The exemption from QCO will be available for physical exports only and such exemption will not be allowed for deemed exports for Advance Authorisation Holders.

(f) The facility of clubbing under para 4.36 of Handbook of Procedures (HBP), 2023 shall not be available.

(g) The Export Obligation period for such authorizations shall be as per para 4.40 of Handbook of Procedures. However, EO period is restricted to 180 days from the date of clearance of import consignment in respect of QCO exemption for textile products.

(h) Import of Inputs without compliance to the mandatory QCOs under DFIA scheme is not allowed.

(i) This exemption is further subject to para 2.03 (c) of FTP.

ii) **For EOU**

(i) Exemption from applicability of mandatory QCOs issued under the BIS Act, 2016, shall be provided to EOU on import of inputs which are required for export production. No DTA clearance of such inputs or goods manufactured made out of such inputs, are allowed. An undertaking to that effect will be submitted to the Customs authorities by the EOU at the time of importation and a copy of the same shall also be submitted to the Development Commissioner concerned. The exemption from QCO will be available for physical exports only and such exemption will not be allowed for deemed exports. This exemption is further subject to para 2.03 (c) of FTP.

iii) **For SEZ**

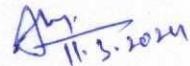
(i) Exemption from applicability of mandatory QCOs issued under the BIS Act, 2016, shall be provided to SEZ on import of inputs which are required for export production. No DTA clearance of such inputs or goods manufactured made out of such inputs, are allowed. An undertaking to that effect will be submitted to the concerned Development Commissioner of the SEZ by the SEZ Unit at the time of importation. The exemption from QCO will be available for physical exports only. This exemption is further subject to para 2.03 (c) of FTP".

3. The following sub-para (c) is appended to the existing para 2.03 of FTP 2023:

"(c) The list of Ministries/Departments whose notifications on mandatory QCOs, that are exempted by the DGFT for goods to be utilised/consumed in manufacture of export products, are given in **Appendix-2Y** of FTP 2023".

Effect of this Notification: Enabling provisions are made for exempting inputs imported by Advance Authorisation holders, EOU and SEZ from mandatory Quality Control Orders (QCOs). Accordingly, list of Ministries / Departments [i.e. Ministry of Steel, Department for Promotion of Industry and Internal Trade (DPIIT) and Ministry of Textiles] are notified in **Appendix 2Y** of FTP, 2023.

This issue with the approval of Minister of Commerce & Industry.



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