

No. D.12/4/2013-SEZ
Government of India
Ministry of Commerce & Industry
Department of Commerce
(SEZ Division)



Udyog Bhawan, New Delhi - 110107
Dated the 26th December, 2013

Am VJ
7/1/14

To,

All Development Commissioners

Subject: Streamlining of Regulatory Mechanism for SEZ units in the Gems and Jewellery Sector - regarding.

Sir/Madam,

In order to streamline the regulatory mechanism for SEZ units in Gems and Jewellery (G&J) Sector, after examination of issues and deliberations, the following decisions have been taken:

- (i) In order to ensure more effective control over ingress and egress of G&J items from the SEZ, DCs will ensure that there is sufficient availability of manpower to man the ingress and egress points. Further such personnel may be appropriately sensitized and wherever necessary imparted appropriate training. Necessary steps must be taken to ensure that necessary infrastructure is in place including scanners etc.
- (ii) DCs are to ensure that random checks of consignments of G&J imports and exports are carried out, including in the case of G&J items being sent for job work. Provisions of SEZ Rules such as Rule 27(10) may be exercised in cases where there is ample justification so as to ensure proper conformity with norms including value addition norms prescribed in this regard.
- (iii) Risk Management Assessment norms of Customs can be adopted for identifying certain percentage of random checks on import/export consignments especially of high risk items (gold, diamonds, jewellery imports etc) to high risk destinations. Special watch and checks on suspected / high risk units including those with past history of default and abnormal/unexplained changes in activities.
- (iv) Infrastructure for testing of purity of gold, silver and other precious metals as well as for diamonds, other precious and semi precious stones etc are necessary to check purity of G&J items entering and/or leaving the SEZ, proper appraisal of such G&J items and to ensure conformity with norms including value addition norms prescribed in this regard. It is therefore

imperative that all SEZs with G&J units be equipped with gold purity testing machines, as well as other equipment necessary to ensure proper appraisal of G&J items including diamonds, other precious and semi precious stones, precious metals etc.

- (v) Such gold purity testing machine and other appraising equipment should be in the custody of the SO/Appraiser of SEZ responsible for the G&J units in the SEZ. Proper record of details of consignment wise test results including machine printout should be maintained on daily basis which may be regularly monitored by the DC/person authorised by DC, SEZ.
- (vi) Monitoring of SEZ unit's performance through examination of APARs submitted by the units is prescribed under the SEZ Rules. DCs are to ensure compliance of timely filing of APARs by the SEZ entities. Furthermore since April, 2013 the transaction data of SEZ entities is now available online on real time basis and it is possible for the DC to monitor the import / export and other transactions of each unit. Daily transaction data, including imports and exports may be obtained from the SEZ online to facilitate a close monitoring especially in the case of sensitive units.
- (vii) Directions have been issued earlier, regarding not permitting Gold Medallion manufacturing by SEZ units in SEZs. DCs may kindly ensure compliance with the same.
- (viii) DCs are required to ensure that no unit is allowed to carry on trading of gold, silver, platinum, other precious metals, diamonds and other precious and semi precious stones. Transactions by G&J units during the past 3 years may be examined and wherever a breach of rules/norms is found strict action is required to be taken as per law.
- (ix) In cases of import of gold jewellery (including jewellery, broken jewellery etc. for remaking, re-melting, repairing, etc.) by SEZ units DCs are required to carry out proper monitoring. Further Inst No. 51 issued by DoC on 25.3.2010 prescribes in detail how the import of unused/used and broken jewellery being brought in as raw material for re-melting, remaking and repairing is to be accounted, separately stored etc. DCs may ensure that all instances of such imports are in accord with these instructions. Such transactions by G&J units during the past 3 years may be examined and wherever a breach of rules/norms is found strict action is required to be taken as per law.
- (x) DCs may also examine transactions of import of jewellery by SEZ units and the corresponding DTA sales made by them to verify any incidence of leakage of such imported jewellery into DTA or similar violations. Such transactions by SEZ units may be carefully examined and wherever a breach of rules is found strict action may be taken as per law.
- (xi) The above guidelines have been issued keeping in mind that while it is imperative to facilitate business activities by SEZ entities, it is equally

important to maintain a strict vigil on all activities which are in breach of the law. It is not possible to lay down guidelines to address all possible violations, it is therefore expected that all DCs would take necessary action wherever such violations are noted and such actions be immediately reported to DoC so that wherever necessary other Zones may be sensitized to such cases.

2. All DCs are to furnish a report that the above decisions have been complied with on or before 31st December, 2013. The installation and operationalisation of purity testing machines and other appraising equipment and their operationalization was discussed in detail in the meeting held with DCs on 7.11.2013. The compliance report in this regard must be sent immediately.

Yours faithfully,

Madhup Vyas
24/11/2013
(Madhup Vyas)

Deputy Secretary to the Government of India

Tel: 011-2306 3294