

No. D.6/35/2012-SEZ
Government of India
Ministry of Commerce & Industry
Department of Commerce
(SEZ Division)

Udyog Bhawan, New Delhi
Dated: 17th September, 2013

Subject: Policy to regulate functioning of Worn and Used clothing units in SEZs -
regarding

In terms of Section 5 of the SEZ Act, 2005, the main objectives of the SEZ scheme are:

- (i) generation of additional economic activity
- (ii) promotion of exports of goods and services
- (iii) promotion of investment from domestic and foreign sources
- (iv) creation of employment opportunities
- (v) development of infrastructure facilities

The SEZs being set up under the SEZ Act, 2005 and the units being established therein are established towards the achievement of the above objectives. This yardstick applies equally to the plastics recycling units set up in SEZs. The matrix of fiscal benefits, duty concessions as well as obligations envisaged in the SEZ Act, 2005 and Rules framed thereunder are equally applicable to the units in SEZs carrying on recycling of plastic scrap or waste. Additional safeguards in respect of plastics recycling units have been provided by Rule 18(4) of the SEZ Rules, 2006, which states no proposal shall be considered for:-

(a) Recycling of plastic scrap or waste:

Provided that extension of Letter of Approval for an existing Unit shall be decided by the Board;

(b) Enhancement of the approved import quantum of plastic waste and scrap beyond the average annual import quantum of the unit since its commencement of operation to the existing Units;

(c) Reprocessing of garments or used clothing or secondary textiles materials and other recyclable textile materials into clipping or rags or industrial wipers or shoddy wool or yarn or blankets or shawls:

Provided that extension of Letter of Approval for an existing Unit shall be decided by the Board”.

Keeping in view the aforesaid provisions of the SEZ Act and Rules and inputs received from the various stakeholders, the following policy is being prescribed

to be followed by the units in SEZs carrying on reprocessing/recycling of used clothing.

- (i) Procedure to be followed for verification of documents prior to clearing the consignment in SEZ – Each consignment of used clothing imported by unit shall be accompanied with a certificate from the exporter/agency in which it was generated regarding dis-infection and fumigation of the containers from an agency licensed in the state of origin of worn clothing along with import documents.
- (ii) In case of mis-declaration regarding the material being free from any toxic/hazardous substances by the importer, action as per laws formulated by the Directorate General of Foreign Trade, as in force from time to time, would also apply and action as per Foreign Trade (Development & Regulation) Act, 1992, shall be taken by the competent authority.
- (iii) The units should fulfill the export obligation criteria including NFE as per provisions of this Policy. No broad banding of unrelated products shall be allowed for this purpose.

- (iv) To ensure that used clothing reprocessing units in SEZ fulfill their export obligations, in addition to meeting their NFE obligation, all such units would be required to ensure that certain minimum percentage of the unit's annual turnover is physically exported out of the country. The minimum physical export levels to be achieved by such a unit on a graduated upward scale, as a percentage of the unit's total turnover is prescribed as under :

Period	Minimum Physical Export Obligation
At the end of 2 nd year	Not less than 40% of the total annual turnover
At the end of 4 th year	Not less than 80% of the total annual turnover
At the end of 5 th year	100% of the total annual turnover

- ★ The unit will be required to continue to physically export 100% of their annual turnover, thereafter. Further the sales to DTA of un-mutilated clothing on account of export surplus or export rejects will not exceed 15% of the physical export turnover of the unit.

- (v) All applicable laws, rules, regulations etc., pertaining to environmental and other areas, as amended from time to time, shall be strictly complied with by all units in SEZs carrying on recycling of used clothing. In particular General Environmental Standard as per Rule 3 of Environment (P) Rules, 1986 (Schedule IV) will be applicable to all such units.
- (vi) Before the clearance of the used clothes to DTA, all imported consignments of such used clothes shall be subject to 100% scrutiny at the premises of the unit by SEZ authorities.
- (vii) Compliance with parameters for import of used clothing and other regulatory requirements as specified in this instruction and applicable through various legal provisions, as amended from time to time shall be kept in view by the Board of

Approval while considering LoA renewal cases etc., relating to units in SEZs carrying on recycling of used clothing.

- (viii) The validity of LoAs of existing units in SEZs carrying on recycling of used clothing would henceforth be governed by the provisions of this policy and would be appropriately amended / renewed as per the terms of this policy.
- (ix) As provided under Rule 53 of the SEZ Rules if a Unit does not achieve positive NFE Earning or fails to abide by any of the terms and conditions of the LoA or Bond-cum-Legal Undertaking, without prejudice to the action that may be taken under any other law for the time being in force, the said Unit shall be liable for penal action under the provisions of the Foreign Trade (Development and Regulation) Act, 1992 as well as liable for cancellation of its LoA as per provisions of the SEZ Act.
- (x) This Policy would supersede all instructions /circulars issued earlier in this regard on this subject. The validity of LOAs of existing units in SEZs carrying on recycling of used clothing would henceforth be governed by the provisions of this policy and would be appropriately amended / renewed as per the terms of this policy.

This has the approval of Hon'ble Minister for Commerce & Industry.


17.9.13
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To:

1. Chief Secretaries of all States/UTs
2. All Development Commissioners of SEZs
3. Department of Revenue (CBDT/CBEC), Govt. of India
4. Ministry of Textiles
5. Ministry of Environment & Forests
6. Director General, DGFT
7. DG, EPCES