

[2023] 153 taxmann.com 551 (Article)

[2023] 153 taxmann.com 551 (Article)

Date of Publishing: August 22, 2023

DTA Setup vs. SEZ vs. EOU vs. Moowr (Customs Bonded Warehouse)



RAJAT DOSI

Partner, RSA Legal Solutions

In the intricate landscape of international trade, businesses in India are presented with an array of options to strategically manage their import and export operations. The diverse setups of DTA (Domestic Tariff Area) exporter, SEZ, EOU, and Moowr (Customs Bonded Warehouse) offer distinct advantages and trade-offs, each tailored to different business models and objectives. SEZs, EOUs and Moowr's setup provide tax benefits and duty exemptions, encouraging export-driven activities, while DTA setup offer flexibility. As businesses expand their global footprint, navigating the complexities of regulatory compliances, taxation, and operational flexibility becomes paramount. By comprehending the nuances of these setups, enterprises can optimize their international trade endeavours. Ultimately, a well-informed decision will pave the way for enhanced competitiveness and success in international commerce.

This article delves into the key attributes of these setups, including their registration requirements, import and export regulations, tax benefits, and compliance obligations, offering a comprehensive comparison to assist businesses in making informed decisions regarding their international trading operations.

Transaction Subject	DTA Setup	SEZ	EOU	Moowr (Customs Bonded Warehouse)
Registration Requirement	CGST Act	SEZ Act and CGST Act	FTDR Act (FTP) and CGST Act	Customs Act and CGST Act
Approving Authority for setting up	No approval required for setting up	Development Commissioner under the SEZ Act	Development Commissioner under the FTP	Jurisdictional Commissioner of Customs
Setting up requirement (Geographical location)	Can be setup anywhere in India	Can be setup only in areas designated / notified as SEZs	Can be setup anywhere in India	Can be setup anywhere in India

Import of raw materials and consumables	On payment of applicable customs duties (BCD, SWS, IGST, Compensation Cess, anti-dumping duty, etc) <i>(However, benefit of the advance authorisation scheme can be availed which allows duty free import of inputs and consumables required for manufacture of export items)</i>	Exempt from payment of all applicable customs duties	Exempt from payment of all applicable customs duties	Exempt from payment of all applicable customs duties (Section 65A has been introduced in the Customs Act which disallows IGST exemption / benefit on import by such customs bonded warehouse. However, this provision is yet to be notified)
Import of Capital Goods	On payment of applicable customs duties (BCD, SWS, IGST, Compensation Cess, anti-dumping duty, etc) <i>(However, benefit of the EPCG authorisation scheme can be availed which allows duty free import of capital goods required for manufacture of export items)</i>	Exempt from payment of all applicable customs duties	Exempt from payment of all applicable customs duties	Exempt from payment of all applicable customs duties (Section 65A has been introduced in the Customs Act which disallows IGST benefit on import by such customs bonded warehouse. However, this provision is yet to be notified)
Procurement from DTA	On payment of applicable GST (recipient can take input tax credit (ITC), if otherwise available)	Such supplies will qualify as 'Zero rated supplies' i.e., the supplier has the option to make such supplies either without payment of applicable GST (under LUT) or on payment of GST (of which he can either take refund	Such supplies will qualify as 'Deemed Export supplies' i.e., such supplies will have to be made on payment of applicable GST of which the supplier / recipient EOU unit can take refund or the recipient EOU unit can take ITC	On payment of applicable GST (recipient can take ITC, if otherwise available)

		or the recipient SEZ unit can take ITC)		
Benefits on DTA procurement	No benefits are available	Benefit of either advance authorization scheme or All Industry Rate (AIR) of duty drawback can be availed by the supplier.	Benefit of either advance authorization scheme or All Industry Rate (AIR) of duty drawback can be availed by the supplier.	No benefits are available
Income Tax benefits	No benefits available	No benefits available. Earlier some benefits were provided, however the same have been withdrawn now (deductions available to units' setup prior to July 2020)	No benefits available. Earlier some benefits were provided, however the same have been withdrawn now (deductions available to units' setup prior to April 2012)	No benefits available
Excise duty benefit on local procurement	No benefit available	Fuel like HSD, natural gas, etc can be procured without payment of excise duty for authorized operations.	Fuel like HSD, natural gas, etc can be procured without payment of excise duty for authorized operations.	No benefit available
DTA Clearances of finished goods	On payment of applicable GST (recipient can take ITC, if otherwise available)	On payment of applicable customs duties (BCD, SWS, IGST, etc), as applicable on import of such goods into India. Bill of entry is required to be filed with the customs authorities posted at the SEZ	On payment of applicable GST (recipient can take ITC, if otherwise available). Additionally, benefit of BCD exemption availed on imported inputs used in the manufacture of finished product cleared in DTA is required to be surrendered / paid along with interest. Only tax invoice is required to be issued	On payment of applicable GST (recipient can take ITC, if otherwise available). Additionally, applicable customs duties (BCD, SWS, IGST, etc) will be payable on quantity of inputs / raw materials which have been used in the manufacture of such finished goods cleared in the DTA. Bill of entry for home consumption

				will have to be filed in respect of such goods.
Export of finished goods	Have the option to export either on payment of IGST (of which refund can be obtained later) or without payment of IGST (under LUT)	Have the option to export either on payment of IGST (of which refund can be obtained later) or without payment of IGST (under LUT)	If exemption from IGST is availed at the time of import, the EOU unit will have to export without payment of IGST (under LUT). In case IGST benefit is not availed at the time of import, the EOU unit will have the option to export either on payment of IGST (of which refund can be obtained later) or without payment of IGST (under LUT)	Have the option to export either on payment of IGST (of which refund can be obtained later) or without payment of IGST (under LUT)
RoDTEP benefit on export of finished goods	Available (unless exports are being made under the advance authorization scheme) (this benefit can be availed along with the duty drawback benefit)	Not available	Not available	Not available
AIR of Duty Drawback benefit on export of finished goods	Available (unless exports are being made under the advance authorization scheme) (this benefit can be availed along with the RoDTEP benefit)	Not available	Not available	Not available
Compliances	GST returns required to be filed on monthly basis	Apart from GST compliances, several other compliances have to be done in	Apart from GST compliances, several other compliances have to be done in terms	Apart from GST compliances, several other compliances have to be done in terms of the

		terms of the SEZ law – setting up, timely extension, APRs, QPRs, MPRs, ID Cards for employees, etc	of the FTP – records required to be maintained, setting up, timely extension / renewals, APRs, QPRs, MPRs, etc	Customs Law – records required to be maintained as per the customs laws, setting up, appointment of warehouse-keeper, monthly returns, etc
Renewal Requirement	No renewal requirement arising under any law	Renewal requirement arising under the SEZ law every five years	Renewal requirement arising under the FTP every five years	Once permission obtained, no renewal is required
Superintendence by authorities (by way of visit for inspection or audit)	GST and customs authorities	GST, customs authorities and DC office	GST, customs authorities and DC office	GST and customs authorities

In the dynamic arena of international trade, businesses are confronted with a myriad of choices when it comes to optimizing their import and export operations. The distinctive configurations of DTA Setup, SEZ, EOU, and Moowr (Customs Bonded Warehouse) offer a spectrum of advantages and considerations, each meticulously suited to different business frameworks and objectives. As companies expand globally, dealing with rules, taxes, and efficiency becomes really important. By understanding the details of these setups, businesses can make smart choices for their international trade plans, using the benefits that match their goals. Ultimately, a smart decision will lead to better competitiveness and success in the world of global trade.