



## FTWZ – Regulatory & Fiscal Regime

“ A new scheme to establish Free Trade and Warehousing Zones has been introduced to create trade-related infrastructure to facilitate the import and export of goods and services with freedom to carry out trade transactions in free currency.

**This is aimed at making India into a global trading hub.”**

Shri Kamal Nath, Commerce & Industry Minister’s speech on 31<sup>st</sup> Aug 2004



# Free Trade and Warehousing Zone (FTWZ)

## Governing Provisions

**SEZ Act, 2005**  
(total 58 sections)

Section 2(n) – Definition of FTWZ  
Section 2(za) – Definition of SEZ

**SEZ Rules, 2006**  
(total 79 rules)

Rule 18(5) – activities allowed in FTWZ  
and foreign currency transactions

**Rule 53**

Clause (0) – supply of goods against  
free foreign exchange by an FTWZ unit

**MoCI Instructions**  
(total 87)

Instruction No. 49 dated 12.3.2010  
Instruction No. 60 dated 06.7.2010  
Instruction No. 71 dated 12.11.2010

# Salient Features of FTWZ

**01****FTWZ – An SEZ**

Governed by SEZ Act, 2005, SEZ Rules, 2006 and Instructions issued by MoCI

**02****Deeming Fiction**

Deemed to be outside the customs territory of India for the purpose of Authorised Operations

**03****Overriding Provision**

SEZ Act has overriding effect in case of any inconsistency with any other law

**04****Foreign Currency**

All transactions by a unit in FTWZ have to be in convertible foreign currency

# FTWZ operations at a glance

FTWZ unit can hold goods on account / behalf of foreign as well as Indian entities.

Facility of warehousing, international hub, transshipment, inventory management, just-in-time supply

Assembly of CKD or SKD kits allowed. But, no manufacturing activity processing allowed on case to case basis by BOA

Units may also re-sell or re-invoice or re-export goods imported by them

All transactions by unit to be in convertible foreign currency through FCA. But, DTA entities to transact in INR

Services means such tradable services which

- i. are covered under the General Agreement on Trade in Services annexed as IB to the Agreement establishing the WTO;
- ii. may be prescribed by the Central Government for the purpose of the Act (Rule 76 of SEZ Rules, 2006); and
- iii. earn foreign exchange



# Value Added Services within FTWZ (Illustrative list)



# Various Import Options



Where import cargo destination is the FTWZ, delivery to be allowed at the destination port or airport on the strength of B/E assessed by the SEZ Customs without any Transshipment Bond.

# Foreign Trade Policy Schemes

## Supply from DTA

FTWZ Unit eligible to avail drawback.  
Alternatively, DTA supplier can claim drawback on the basis of disclaimer by FTWZ unit.

Supply of goods to FTWZ unit against Advance Authorization with minimum value addition of 15%.

Export obligation can be fulfilled by exporting Capital Goods FTWZ units against payment in foreign currency from FC account of unit.

Supply by 100% EOU to FTWZ unit to be counted towards NFE.

100% EOU can export goods manufactured through FTWZ unit.

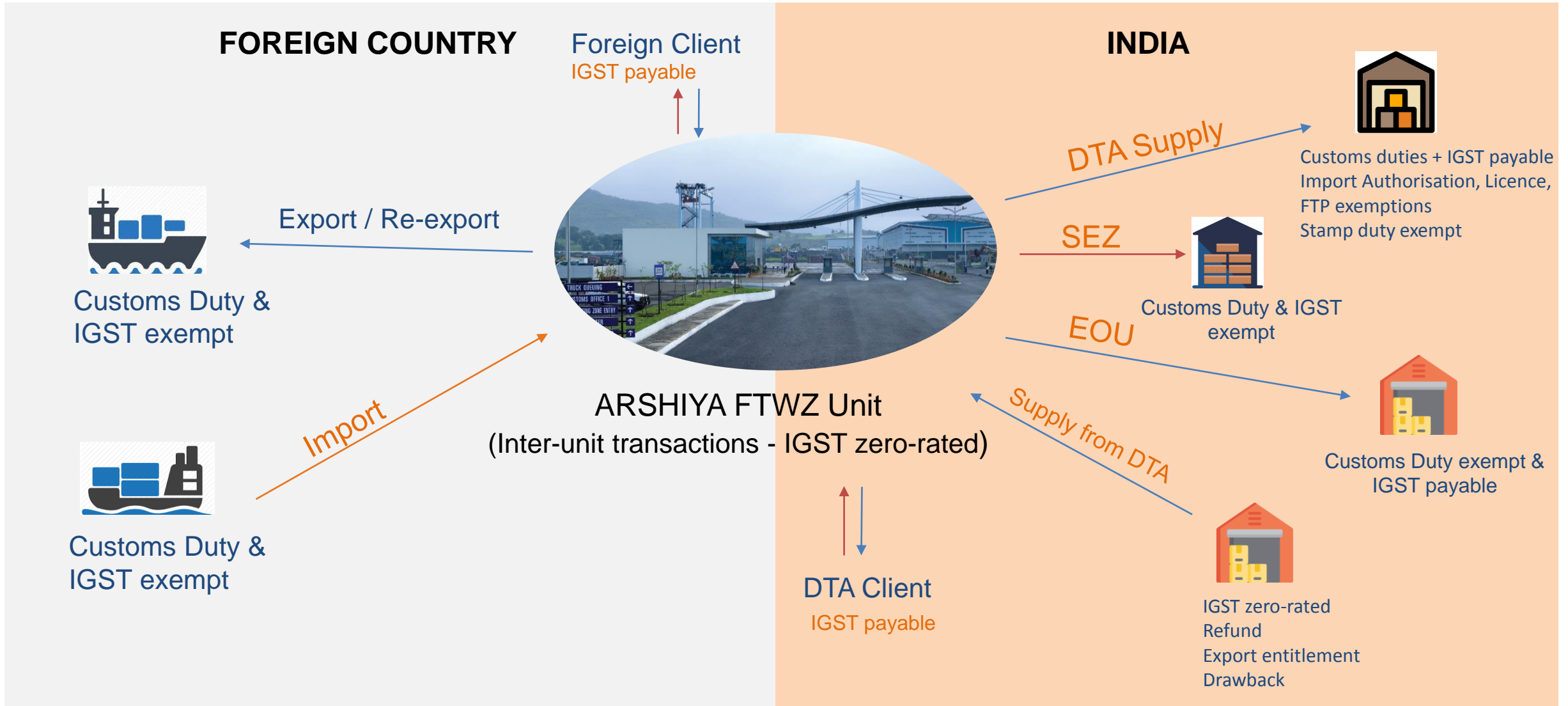
## Supply into DTA

DTA entity can procure goods from FTWZ unit against advance authorization

DTA entity can receive capital good under EPCG Scheme



# Fiscal Regime (Customs Duty & IGST)



# Indirect Tax Impact on FTWZ post GST Implementation

Transactions	Applicability of Indirect Tax	Legal Provisions
Supplies from DTA to FTWZ	All supplies of goods and services from Domestic Tariff Area (DTA) to FTWZ for authorized operations are <b>ZERO-RATED</b>	Sec.16 of IGST Act, 2017
Import into FTWZ	Import of goods and services from outside India into FTWZ for authorized operations are <b>EXEMPTED</b> from Basic Customs duty and IGST	Sec 26 of SEZ Act, Customs Notification No.64/2017 –Customs dated 5 <sup>th</sup> July, 2017 and Notification No.18/2017–Integrated Tax (Rate) dated 5 <sup>th</sup> July, 2017
Export from FTWZ	Goods and services exported from FTWZ to a country outside India are chargeable to NIL Basic Custom Duty and <b>ZERO-RATED IGST</b>	Sec 16 of IGST Act, 2017
Supply of goods from FTWZ to DTA	Goods removed from FTWZ into DTA will attract Basic Customs Duty, Compensation Cess (if applicable) and IGST	Sec 30 of SEZ Act, 2006
Supply from one Unit to another Unit within the same SEZ/FTWZ or another SEZ/FTWZ (authorized operations)	Supply of goods and services from one Unit to another Unit within the same SEZ/FTWZ or another SEZ/FTWZ are <b>ZERO-RATED</b>	Sec 16 of IGST Act, 2017
Supply of services by Unit to Foreign Clients (authorized operations)	Supply of services by Unit to Foreign Clients within the FTWZ will attract <b>IGST @ 18%</b> .	Sec 16 of IGST Act, 2017 has not specified supply of services by unit to foreign clients as zero-rated supply
Supply of services by Unit to DTA Clients (authorized operations)	Supply of services by Unit to DTA Clients within the FTWZ will attract <b>IGST @ 18%. ONLINE AND REAL TIME CREDIT AVAILABLE</b>	Sec 16 of IGST Act, 2017 has not specified supply of services by unit to DTA clients as zero-rated supply



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