

FREE TRADE & WAREHOUSING ZONES

[CHAPTER 7A of FOREIGN TRADE POLICY 2004-09, Ministry of Commerce & Industry,
Government of India]

Objective	7A.1	The objective is 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. The scheme envisages creation of world-class infrastructure for warehousing of various products, state-of-the-art equipment, transportation and handling facilities, commercial office-space, water, power, communications and connectivity, with one-stop clearance of import and export formality, to support the integrated Zones as 'international trading hubs'. These Zones would be established in areas proximate to seaports, airports or dry ports so as to offer easy access by rail and road.
Status	7A.2	The Free Trade & Warehousing Zones (FTWZ) shall be a special category of Special Economic Zones with a focus on trading and warehousing.
Establishment of Zone	7A.3	<ul style="list-style-type: none">(i) Proposals for setting up of FTWZs may be made by public sector undertakings or public limited companies or by joint ventures in technical collaboration with experienced infrastructure developers. The proposals shall be considered by the Board of Approval in the Department of Commerce. On approval, the developer will be issued a letter of permission for the development, operation and maintenance of such FTWZ.(ii) Foreign Direct Investment would be permitted up to 100% in the development and establishment of the zones and their infrastructural facilities.

Note : The document may not be accurate or correct. Kindly use with caution.

- (iii) The proposal must entail a minimum outlay of Rs.100 crores for the creation and development of the infrastructure facilities, with a minimum built up area of five lakh sq.mts.
- (iv) The developer shall be permitted to import duty free such building materials and equipment as may be required for the development and infrastructure of the zone. Such equipment and materials as are sourced from the DTA shall be considered as physical exports for the DTA suppliers.
- (v) Once it has developed the FTWZ, the developer shall also be permitted to sale/lease/rent out warehouses/workshops/office-space and other facilities in the FTWZ to traders/exporters.

Maintenance of Zone

7A.4 The developer shall itself or through suitable special purpose arrangements, ensure a reliable mechanism for the proper maintenance of the common facilities and security of the FTWZ.

Functioning

7A.5

- (i) The scheme envisages duty free import of all goods (except prohibited items, arms and ammunitions, hazardous wastes and SCOMET items) for ware housing. As far as bond towards customs duty on import is concerned, the units would be subject to similar provisions as are applicable to units in SEZs.
- (ii) Such goods shall be permitted to be re-sold/re-invoiced or re-exported. Re-export shall be permitted without any restrictions. However export of SCOMET items shall not be permitted except with the permission of Inter-Ministerial Committee.
- (iii) These goods shall also be permitted to be sold in the DTA on payment of customs duties as applicable on the date of such sale. Payment of duty will become due only when goods are sold/delivered to DTA and no interest will be charged as in the case of bonded warehouses.
- (iv) Packing or re-packing without processing, and labeling as per customer or marketing requirements could be undertaken within the FTWZ.

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- (v) The maximum period that goods shall be permitted to be warehoused within the FTWZ will be two years, after which they shall necessarily have to be re-exported or sold in the DTA. On expiry of the two year period, customs duties as applicable would automatically become due unless the goods are re-exported within such grace period, not exceeding three months, as may be permitted.

Entitlement of units

7A.6

- (i) Income Tax exemption as per 80 IA of the Income Tax Act.
- (ii) Exemption from Service Tax.
- (iii) Free foreign exchange currency transactions would be permitted.
- (iv) Other benefits mutatis mutandi as applicable to units in SEZs.

NFE criteria

7A.7

Units in FTWZs shall be net foreign exchange earners. Net foreign exchange earning shall be calculated cumulatively for every block of five years from the commencement of warehousing and/or trading operations as per formula applicable for SEZ units.