Circular No. 38/95-Cus.
dated 17/5/95

Government of India
Ministry of Finance
Department of Revenue, New Delhi

Subject : Monitoring of EOUs and Debonded/Converted Units working in same Premises - Regarding

I am directed to say that it has come to the notice of the Board that in the event of partial conversion of a DTA unit to a 100% EOU/ EHTP/ STP unit, etc. and *vice versa,* after necessary approval from the competent authority, both 100% EOU/ EHTP/ STP etp. units as well as the DTA unit function from the same or adjacent premises. At times some of the utilities may also be common to both the DTA and the 100% EOU/ EHTP/ STP, etc. units. In such situation the possibility of goods imported duty free under the various 100% EOU schemes, being diverted for use by the DTA unit cannot be ignored. Further, the possibility of transfer of production from one unit to another for obtaining tariff concession available to either unit is also real. Particularly since a customsofficer will not be physically present at all times, it is ways possible to use the equipments imported for the EOU for production in DTA and further to show goods produced in the EOU as the manufacture of the DTA unit or *vice versa.*

2. Whereas care is taken to insist upon complete physical segregation between DTA unit and 100% EOU/ EHTP/ STP, etc. units whenever requests for partial conversion/ debonding are received, the above indicated possibilities which have advers implications on revenue have to be necessarily taken care of.

3. In view of the aforesaid facts, I am directed to say that the Board desires that the facility of partial conversion debonding resulting in operation of DTA and 100% EOU/ EPHT/ STP, etc. units from a common or adjacent premises is to be carefully monitored. Preventive checks at regular intervals should necessarily be carried out to ensure against the utilisation of EOU facilities for DTA manufacture. Further goods manufactured by EOU unit or DTA unit must be correctly reflected in the separate records of the respective units.

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