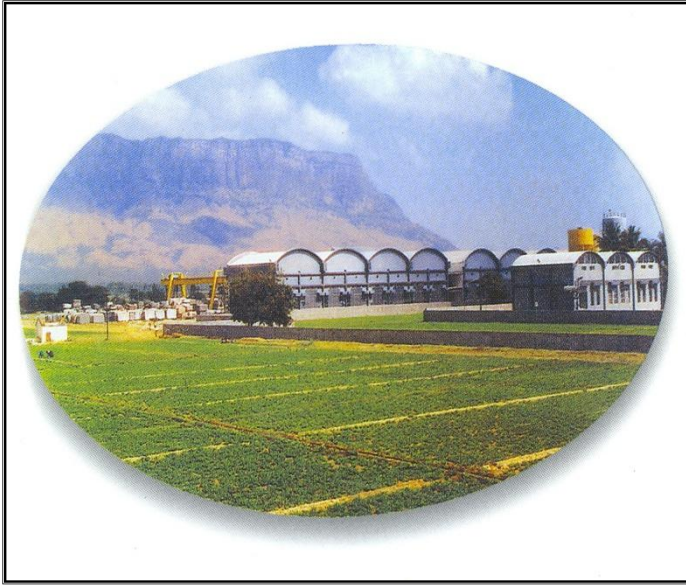


## The Export Oriented Units (EOU) Scheme



- Units undertaking to exports their entire production of goods and services may be setup under the Export Oriented Unit (EOU) Scheme. However, trading by EOUs is not permitted. EOUs can get a location of their choice under Customs bonding anywhere in India. For setting up an EOU in Gujarat, apply to DC, KASEZ.

- EOUs can import all Capital goods, Consumables, Spares parts and Raw materials without payment of duties. EOUs can procure these goods from Domestic market also without payment of Excise duties and Sales Tax.

- Minimum investment for

approval an EOU should be Rs.1 crore in Plant & Machinery. Software/services, agriculture/floriculture/aquaculture/Information Technology and Handicraft are exempted from investment criteria.

- EOUs may export all products except prohibited items of export. However, prohibited goods may be allowed to export subject to approval of BoA. EOUs may import without duty all types of goods including Capital goods required for its activities unless they are prohibited for import. Even second hand plant & machinery can be imported.
- An EOU is expected to achieve positive NFE in a block period of 5 years. Positive NFE means that the unit earns more foreign exchange than it spends.
- Capital goods can be purchased, loaned, sourced from foreign/domestic Leasing company or brought free of cost. 100% FDI in EOU is permitted under the automatic route of the RBI.
- On approval, a Letter of Permission (LoP) shall be issued by the DC which shall have an initial validity period of 3 years for commencement of production. The validity may be extended by the DC further upto 3 years.
- DTA unit can also convert into EOU Scheme. Units working with EPCG/Advance Licenses can also convert to EOU Scheme. Their pending EPCG/Advance Licenses obligation will be subsumed into EOU Scheme.
- Supplies from Indian manufacture to EOU are classified as deemed export and the supplies are eligible for CST refund.
- EOUs can sell duty free goods to other EOU/SEZ/EHTP/STP. Transfer of manufactured goods from one EOU/EHTP/STP unit to another EOU/EHTP/STP unit is allowed.
- EOUs can sell upto 50% of FOB value of export to the DTA units at concessional rate of duty subject to achieving positive NFE. EOUs can sell goods at applicable rate of duty, over and above goods permitted at concessional rate, subject to achieving positive NFE.
- EOUs can sub-contract upto 50% of production or part of production process to Indian manufacturer. EOUs can undertake job work for export on behalf of local manufacturer. EOUs can even sub-contract to unit abroad.