**Ruling issued in respect of application filed by Seros Energy Private Limited, request to upload the same on webmaster-reg**

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To "taxationenergy"<taxation.energy@seros.co.in>,"Anil Ramteke"<commr-ns5@gov.in>,"CAAR Delhi"<cus-advrulings.del@gov.in>,"CCU Customs Mumbai Zone I"<ccu-cusmum1@nic.in>,"Anish Gupta"<anishgupta.irs@gov.in>,"S I Faisal"<commr.legal-cbec@nic.in>,"memcus-cbec"<mem.cus-cbec@nic.in>,"webmastercbec"<webmaster.cbec@icegate.gov.in>

Tags ■ To diarise

**1 Attachment(s)**

Ruling No.- 110_0001.pdf
5.4 MB

Madam/Sir,

Please find attached herewith copy of the Ruling issued in respect of application filed by Seros Energy Private Limited. The Webmaster is requested to upload the same on the website under 'Detail of Ruling Issued by CAAR, Mumbai'.

| ***Name of Applicant*** | ***Date of Application*** | ***Date of Ruling*** | ***Ruling No.*** | ***Subject*** |
|---|---|---|---|---|
| Seros Energy Private Limited. | 01.05.2025 | 21.11.2025 | CAAR/Mum/ARC/110/2025-26 | Supply of equipment on lease for use in manufacturing of Rig, from SEZ to DTA and Applicability of Notification 50/2017 |

This is for information and necessary action at your end.

Regards,
O/o CAAR, Mumbai

| | | |
|---|---|---|
| | **सीमाशुल्क अग्रिम विनिर्णय प्राधिकरण**<br>**Customs Authority for Advance Rulings**<br>**नवीन सीमाशुल्क भवन, बेलार्ड इस्टेट, मुंबई - ४०० ००१**<br>**New Custom House, Ballard Estate, Mumbai - 400 001**<br>**E-MAIL: cus-advrulings.mum@gov.in** | आज़ादी का अमृत महोत्सव |

F. No. CAAR/CUS/APPL/89/2025 - O/o Commr-CAAR-Mumbai दिनांक/Date : 21.11.2025

| | |
|---|---|
| Ruling No. & date | CAAR/Mum/ARC/110/2025-26 dated 21.11.2025 |
| Issued by | Shri Prabhat K. Rameshwaram,<br>Customs Authority for Advance Rulings, Mumbai |
| Name and address of the applicant | Seros Energy Private Limited<br>313, Green Signature Shopping Mall, Near Prime Shoppers, Vesu Main, Surat, Gujarat – 395007<br>Email- Taxation.energy@seros.co.in |
| Concerned Commissionerate | The Pr. Commissioner of Customs, NS-V,<br>JNCH, Nhava Sheva, Tal: Uran Distt: Raigad<br>Maharashtra-400707.<br>Email: commr-ns5@gov.in |

**ध्यान दीजिए/ N.B.:**

1. सीमा शुल्क अधिनियम, 1962 की धारा 28I की उप-धारा (2) के तहत किए गए इस आदेश की एक प्रति संबंधित को निःशुल्क प्रदान की जाती है।
   A copy of this order made under sub-section (2) of Section 28I of the Customs Act, 1962 is granted to the concerned free of charge.

2. बोर्ड द्वारा प्राधिकृत कोई भी अधिकारी, अधिसूचना द्वारा या आवेदक प्राधिकरण द्वारा पारित किसी भी निर्णय या आदेश के खिलाफ ऐसे निर्णय वा आदेश के संचार की तारीख से 60 दिनों के भीतर क्षेत्राधिकार उच्च न्यायालय में अपील दायर कर सकता है।
   Any officer authorised by the Board, by notification or the applicant may file an appeal before the Jurisdictional High Court of **concerned jurisdiction** against any ruling or order passed by the Authority, within 60 days from the date of the communication of such ruling or order.

3. प्रधान आयुक्त या आयुक्त धारा 28KA की उप-धारा (1) के संदर्भ में अग्रिम निर्णय के खिलाफ अपील दायर करने के लिए अधिकृत होंगे।
   The Principal Commissioner or Commissioner shall be authorised to file appeal against the advance ruling in terms of sub-section (1) of section 28KA.

4. धारा 28-I के तहत प्राधिकरण द्वारा सुनाया गया अग्रिम विनिर्णय तीन साल तक या कानून या तथ्यों में बदलाव होने तक, जिसके आधार पर अग्रिम विनिर्णय सुनाया गया है, वैध रहेगा, जो भी पहले हो।
   The advance ruling pronounced by the Authority under Section 28 - I shall remain valid for three years or till there is a change in law or facts on the basis of which the advance ruling has been pronounced, whichever is earlier.

5. जहां प्राधिकरण को पता चलता है कि आवेदक द्वारा अग्रिम विनिर्णय धोखाधड़ी या तथ्यों की गलत बयानी द्वारा प्राप्त किया गया था, उसे शुरू से ही अमान्य घोषित कर दिया जाएगा।
   Where the Authority finds that the advance ruling was obtained by the applicant by fraud or misrepresentation of facts, the same shall be declared void *ab initio*.

## अग्रिम विनिर्णय / Advance Ruling

1. Seros Energy Private Limited (IEC No. ADJFS5712P) (hereinafter referred as "The Applicant") filed an application for advance ruling in the Office of Secretary, Customs Authority for Advance Ruling, Mumbai. The said application was received in the secretariat of the CAAR, Mumbai on 01.05.2025, along with its enclosures in terms of Section 28H (I) of the Customs Act, 1962 (hereinafter referred to as the 'Act'). The applicant is seeking advance ruling regarding applicability of Notification No. 50/2017-Customs dated 30.06.2017 Sr. No. 557B on supply of equipment on lease for use in manufacture of rig, from SEZ to DTA.

**2. Submission by the Applicant:**

2.1 The Applicant is a private limited company incorporated in the year 2022 under the Companies Act, 2013. Applicant submitted that it has its registered office in the Domestic Tariff Area (DTA) and is the owner and operator of India's largest land drilling rigs fleets, empowering oil & gas discovery and production enhancement. The Applicant submitted that it is the only privately held Indian company to have assets and expertise of specialised services for well services too.

2.2 The Applicant submitted that they have imported and stored certain rig related equipment in an FTWZ Unit in India, operated by Sarveshwar Logistics Services Private Limited (hereinafter referred to as "FTWZ Unit"). The said FTWZ Unit is not the Applicant's own Unit, and the Applicant has entered into an understanding with the FTWZ Unit for availing warehousing services.

2.3 The Applicant submitted that the equipment was imported into India in 2024 by the Applicant and the same was stored in the FTWZ Unit. Bill of Entry for import into FTWZ Unit (i.e., a Z-Type BOE) was filed. The goods so stored in SEZ have never been cleared to DTA. Some of the goods have been imported have already been imported into the FTWZ Unit. Some goods required for construction of the rig are yet to be imported.

2.4 The Applicant submitted that it has now been approached by a Lessee who wishes to lease the rig related equipment stored by the Applicant in the FTWZ. The Lessee has been awarded a contract by Oil India Ltd. (a Public Sector Undertaking), for deployment of a land rig of 3000HP capacity ("rig"), in Assam, India for the purpose of oil well exploration and drilling. For undertaking such deployment, the Lessee wishes to lease the rig related equipment stored by the Applicant in the FTWZ. Thus, the Applicant (lessor) and the lessee have entered into a lease agreement. On the lease rent being received, the Applicant being the lessor will discharge GST for providing of lease services.

2.5 The Applicant submitted that the equipment being leased is in the nature of components that will become parts of the rig once constructed. It is practically impossible to transit the whole Land Rig from one location to another and thus the same needs to be assembled only on the drilling site of the Operator as per their instructions. Once the lease period is complete, the rig will be again dismantled and these components will be sent back to the FTWZ. The equipment is proposed to be removed to the DTA under the claim of S. No. 557B of Notification No. 50/2017-Cus. dated 30.06.2017, which grants exemption from levy of IGST on goods, subject to fulfilment of certain conditions.

**3. Applicants Interpretation of Law/Facts:**

3.1 The applicant submitted that the at the time of import into a Unit located in a Special Economic Zone ("SEZ"), all duties are exempt by virtue of Section 26(1)(a) of the SEZ Act, 2005 ("SEZ Act"), extracted for reference:

*"26. Exemptions, drawbacks and concessions to every Developer and entrepreneur.*

*(1) Subject to the provisions of sub-section (2), every Developer and the entrepreneur shall be entitled to the following exemptions, drawbacks and concessions, namely: -*

*(a) exemption from any duty of customs, under the Customs Act, 1962 or the Custom Tariff Act, 1975 or any other law for the time being in force, on goods imported into, or service provided in, a Special Economic Zone or a Unit, to carry on the authorised operations by the Developer or entrepreneur;"*

3.2 The applicant submitted that at the time of imports into SEZ from a place outside India, a "Z-type" BOE is accordingly filed, so as to avail the exemptions contained in Section 26 of the SEZ Act. As per the FAQ document published on ICEGATE pertaining to SEZ Filings, it is clarified that a "Z-type" BOE is used as akin to an in-bond BOE for import without payment of duties. At the time of removal of goods from SEZ to the DTA, by virtue of Section 30 of the SEZ Act, all applicable duties shall be discharged, as if the goods are being imported into India from outside India. The provisions of Section 30 of the SEZ Act is to be read with Rules 47 and 48 of the SEZ Rules, 2006 ("SEZ Rules"), which provide in effect that:

a) As per Rule 48(1), a Bill of Entry for Home Consumption shall be filed.

b) As per Rule 48(2) and Rule 47(4) of the SEZ Rules, the valuation and assessment of in case of removal to the DTA shall be as per the Customs Act and rules made thereunder.

3.3 The applicant submitted that in view of the above treatment of clearances from SEZ to the DTA akin to import of goods into SEZ from a place outside India, with such normal assessment procedures, the importer seeking to remove goods from DTA would file a BOE for Home Consumption to facilitate removal of goods from SEZ to the DTA, under the claim of any exemption notifications applicable.

3.4 **Law governing storage of goods in FTWZ –** The applicant submitted that as per Section 2(n) of the SEZ Act, 2005 "Free Trade and Warehousing Zone" means a Special Economic Zone wherein mainly trading and warehousing and other activities related thereto are carried on.

3.5 **FTWZ Units are specifically allowed to hold goods on behalf of DTA Suppliers-** The applicant submitted that further, vide Instruction No. 60 dated 06.07.2020, it has been expressly clarified that FTWZ Units are allowed to hold goods on behalf of DTA suppliers and buyers as well, subject to the conditions prescribed in Rule 18(5) of the SEZ Rules. Relevant portion is extracted:

***"Clarification on holding of goods by units in FTWZ***
***Instruction No. 60***
***Dated 6-7-2010***

*1. I am directed to say that in a meeting held in Department of Commerce with FTWZ Developers doubts were raised as to whether units in FTWZ can hold goods on behalf of foreign buyer, DTA supplier and buyer.*

*2. It is clarified that FTWZ units can hold goods on behalf of foreign supplier and buyer and DTA supplier and buyer as well, subject to fulfillment of provisions made in Rule 18(5) of SEZ Rules, 2006."*

3.6 Thus, an FTWZ Unit is allowed to hold goods on behalf of other suppliers subject to compliance with Rule 18(5) of the SEZ Rules. Same is extracted for ease of reference:

*"18. Consideration of proposals for setting up of Unit in a Special Economic Zone:*

...

*(5) The Units in Free Trade and Warehousing Zones or units in Free Trade and Warehousing Zone set up in other Special Economic Zone, shall be allowed to hold the goods on account of the foreign supplier for dispatches as per the owner's instructions and shall be allowed for trading with or without labeling, packing or repacking without any processing:*

*Provided that refrigeration for the purpose of storage and assembly of Completely Knocked Down or Semi Knocked Down kits shall also be allowed by the Free Trade and Warehousing units undertaking the said activities:*

*Provided further that these Units may also re-sell or re-invoice or re-export the goods imported by them:*

*Provided also that all transactions by a Unit in Free Trade and Warehousing Zone shall only be in convertible foreign currency. ... "*

3.7 The applicant submitted that thus it is clear that the only condition for such transactions to be held by FTWZ Units is that they shall receive consideration in Foreign Currency. It may be noted that prior to the above instruction specifically providing express clarity on the issue, Instruction No. 49 was issued clarifying that FTWZ can undertake FTWZ – DTA as well as DTA – FTWZ transactions. Relevant portion is extracted:

*"Clarifications on FTWZ issues*
*Instruction No. 49*
*Dated 12-3-2010*

*A meeting was held under the chairmanship of Additional Secretary (SEZ) to discuss issues relating to Free Trade Warehousing Zones(FTWZ). Based on the decisions taken in the meeting, the following guidelines are laid down in respect of FTWZ :*

...

*v) Trading and Warehousing units located within FTWZ can carry out DTA to FTWZ and FTWZ to DTA transactions.*

... "

3.8 The applicant submitted that perusal of all the legal provisions above makes it clear that:

a) An FTWZ Unit is expressly authorized to store goods on behalf of a DTA Supplier for dispatch as and when required;

b) At the time of removing goods from SEZ to the DTA, the importer would file BOE, under the claim of applicable exemption notifications if any.

3.9 **Applicability of S. No. No. 557B of Notification No. 50/2017-Cus. dated 30.06.2017 issued under Section 25(1) of the Customs Act to present transaction -** The Applicant submitted that in the present case, they propose to remove the goods to DTA under the claim of S. No. No. 557B of Notification No. 50/2017-Cus. dated 30.06.2017. The said S. No. is extracted:

| S.No. | Chapter or Heading or sub–heading or tariff item | Description of goods | Standard rate | Integrated Goods and Services Tax | Condition No. |
|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 557B | Any Chapter | All goods, vessels, ships other than motor vehicles imported under a transaction covered by item 1(b) or 5(f) of Schedule II of the Central Goods and Services Tax Act, 2017 | - | Nil | 102 |

3.10 The applicant submitted that the benefit of the above S. No. is available subject to compliance with Condition No. 102, which is extracted for reference:

| *Condition No.* | *Condition* |
|---|---|
| *102* | *The importer, by the execution of bond, in such form and for such sum as may be specified by the Commissioner of Customs, binds himself,-*<br>*(i) to pay Integrated tax leviable under section 5(1) of the IGST Act, 2017 on supply of service covered by item 1(b) or 5(f) of Schedule II of the Central Goods and Services Tax Act, 2017;*<br>*(ii) not to sell or part with the goods, without the prior permission of the Commissioner of Customs of the port of importation;*<br>*(iii) to re-export the goods within 3 months from the expiry of the period for which they were supplied under a transaction covered by item 1(b) or 5(f) of Schedule II of the Central Goods and Services Tax Act, 2017 out of India;*<br>*(iv) to pay on demand an amount equal to the integrated tax payable on the said goods but for the exemption under this notification in the event of violation of any of the above conditions.*<br><br>*Provided that goods may, instead of being re-exported out of India in terms of condition at (iii) above, be given on lease under a transaction covered by item 1(b) or 5 (f) of Schedule II of the Central Goods and Service Tax Act 2017, by lessor to another lessee in India, in which case:*<br>*(a) the original lessee shall give an intimation to the commissioner of customs and get his bond discharged;*<br>*(b) the new lessee shall, by execution of bond, in such form and for such sum, as may be specified by the Commissioner of Customs, bind himself to comply with the conditions herein, as if he were the importer of the goods.*<br><br>*Provided further that in case of goods supplied by an SEZ Unit to DTA under a transaction covered by item 1(b) or 5(f) of Schedule II of the Central Goods and Services Tax Act, 2017, where SEZ Unit is liable to pay integrated tax on such transaction under the Integrated Goods and Services Tax Act, 2017, the lessee shall bind himself only with conditions (ii), (iii) and (iv) above.*<br><br>***Explanation. - In case of goods supplied by an SEZ Unit (lessor) to DTA under a transaction covered by item 1(b) or 5(f) of Schedule II of the Central Goods and Services Act, 2017, -*** |

| | |
|---|---|
| | *(a) the "Commissioner of Customs" or the "Commissioner of Customs of the port of importation", wherever they appear, shall mean "the Specified Officer" as defined in Special Economic Zone Rules, 2006;*<br>***(b) <u>"Re-export" in item (iii) shall mean returning the goods to the lessor.</u*** |

3.11 The applicant submitted that perusal of the emphasized portion in the above extract makes it clear that the benefit of the Notification is available subject to following conditions:

a) That the goods shall be imported/ cleared under a under a transaction covered by item 1(b) or 5(f) of Schedule II of the CGST Act, 2017.

b) That the goods shall be re-exported within 3 months of expiry of the leasing arrangement;

c) That a person receiving leasing services from outside India shall pay GST on the services so received, on reverse charge basis, similar to how importers of goods pay IGST on goods imported, despite being the supply recipients;

3.12 The applicant submitted that in case of supply by an SEZ Unit:

a) returning the goods to the SEZ Unit shall satisfy the definition of "re-export".

b) The lessee need not bind himself to pay GST on the supply of lease services received by him, since the SEZ Unit, being in the taxable territory as defined in the IGST Act is under obligation to pay it on forward charge basis.

3.13 **Present transaction is covered by item 1(b) or 5(f) of Schedule II of the CGST Act, 2017** – The applicant submitted that the items 1(b), 5(f) of Schedule II of the CGST Act, 2017 pertain to transfer of the right in goods including the right to use the goods, but without transfer of ownership. The same is extracted for reference:

*"SCHEDULE II*

*[See Section 7]*

*ACTIVITIES OR TRANSACTIONS TO BE TREATED AS SUPPLY OF GOODS OR SUPPLY OF SERVICES*

*1. Transfer*

...

*(b) any transfer of right in goods or of undivided share in goods without the transfer of title thereof, is a supply of services;*

...

*5. Supply of services*

...

*(f) transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration."*

3.14 The applicant submitted that when the above is read in conjunction with S. No. 557B, it is clear that any goods falling within the above definition may be imported by claiming the benefit of the Notification. In present case, the import is taking place under a lease transaction. That is, a transaction wherein right to use goods is given, against a consideration, without a change in title. Thus, the same covered under the nature of transactions mentioned above.

3.15 **Condition 102 is fulfilled –** The applicant submitted that the purpose of this exemption is to avoid double taxation. As GST is anyway being paid on the lease rentals, the IGST on import of the goods is being exempted. In this context the fulfilment of Condition 102 must be examined. Condition 102 requires the importer to execute a bond undertaking the following:

a) That the Importer pays GST on lease services on reverse charge basis. (This condition does not apply qua supplies from SEZ Unit to DTA).

b) That the goods must be re-exported within 3 months of the expiry of the lease;

c) Not to sell/part with the goods.

d) To pay duty, in case of a violation.

3.16 The Applicant submitted that all the aforementioned requirements will be fulfilled in the present case, and thus, benefit of the exemption should be available.

3.17 **The benefit of exemption is available irrespective of whether GST is paid by importer or exporter –** The applicant submitted that as mentioned above, the purpose of the present exemption is that as the movement of the goods is necessitated on account of a service, and appropriate GST is being discharged on the service rendered, levy of IGST as goods also will amount to double duty payment. General principle of GST law (Section 9 of CGST Act) is that the supplier of the service is liable to pay GST. However, there are a few exceptions created vide which the recipient of the service is required to pay GST on reverse charge basis. Imports from outside India (not SEZ) is one such exception.

3.18 The applicant submitted that for imports from outside India (and not from SEZ), by virtue of Sl. No. 1 of Notification No. 10/2017- Integrated Tax (Rate) dated 28.06.2017, GST shall be paid by the importer in India on Reverse Charge Mechanism, since the importer is in the taxable territory and receives supply of services from the non-taxable territory (i.e., outside India). Thus, as the Supplier is in Non-taxable territory, the importer is required to pay the duty. However, in present case, the supply is effected by Applicant who too is in India i.e. under the Taxable territory. Thus, in the present case, the under Section 9 of CGST Act, the liability to pay GST is on the Applicant and not the Lessee. Given the same, the Lessee cannot provide a bond undertaking to discharge GST on the service. However, that the Lessee is not paying the GST is not of relevance. The purpose of the exemption is to avoid double taxation. There is no doubt that the Applicant (the Lessor) will discharge GST on the supplies. Given the same, the Lessee must be accorded the exemption under Notification No. 557B. Asking Lessee to pay duty again on the same transaction, would amount to doubt payment of GST and the same is against the principle of the aforesaid exemption.

3.19 The applicant relied on the judgment of Supreme Court in the case of Govt. of Kerala Vs. Mother Superior Adoration Convent - 2021 (376) E.L.T. 242 (S.C.). wherein it was held that beneficial exemptions must be interpreted liberally such that the purpose for grant of the exemption is achieved. Relevant portion is extracted:

> *"22. A recent 5-Judge Bench judgment was cited by Shri Gupta in Commr. of Customs v. Dilip Kumar & Co. - (2018) 9 SCC 1 = 2018 (361) E.L.T. 577 (S.C.). The 5-Judge Bench was set up as a 3-Judge Bench in Sun Export Corporation v. Collector of Customs - 1997 (6) SCC 564 = 1997 (93) E.L.T. 641 (S.C.) was doubted, as the said judgment ruled that an ambiguity in a tax exemption provision must be interpreted so as to favour the assessee claiming the benefit of such exemption. This Court after dealing with a number of judgments relating to exemption provisions in tax statutes, ultimately concluded as follows :*

*"66. To sum up, we answer the reference holding as under :*

*66.1 Exemption notification should be interpreted strictly; the burden of proving applicability would be on the assessee to show that his case comes within the parameters of the exemption clause or exemption notification.*

*66.2 When there is ambiguity in exemption notification which is subject to strict interpretation, the benefit of such ambiguity cannot be claimed by the subject/assessee and it must be interpreted in favour of the Revenue.*

*66.3 The ratio in Sun Export case [Sun Export Corpn. v. Collector of Customs, (1997) 6 SCC 564] is not correct and all the decisions which took similar view as in Sun Export case stand overruled."*

*23. It may be noticed that the 5-Judge Bench judgment did not refer to the line of authority which made a distinction between exemption provisions generally and exemption provisions which have a beneficial purpose. We cannot agree with Shri Gupta's contention that sub-silentio the line of judgments qua beneficial exemptions has been done away with by this 5-Judge Bench. It is well settled that a decision is only an authority for what it decides and not what may logically follow from it [see Quinn v. Leathem - [1901] AC 495 as followed in State of Orissa v. Sudhansu Sekhar Misra - (1968) 2 SCR 154 at 162, 163].*

*24. This being the case, it is obvious that the beneficial purpose of the exemption contained in Section 3(1)(b) must be given full effect to, the line of authority being applicable to the facts of these cases being the line of authority which deals with beneficial exemptions as opposed to exemptions generally in tax statutes. This being the case, a literal formalistic interpretation of the statute at hand is to be eschewed. We must first ask ourselves what is the object sought to be achieved by the provision, and construe the statute in accord with such object. And on the assumption that any ambiguity arises in such construction, such ambiguity must be in favour of that which is exempted. Consequently, for the reasons given by us, we agree with the conclusions reached by the impugned judgments of the Division Bench and the Full Bench."*

3.20 The applicant submitted that as stated above, the purpose of present exemption is to avoid double taxation. Hence as long as GST is being paid on the service of lease, the IGST on the goods being imported is exempt. Therefore, in present case also, as the Applicant is discharging GST on the service and on the lease payments received, the Lessee must be extended the aforementioned exemption.

3.21 **In the present case, the Supply is from an SEZ Unit. -** The applicant submitted that the Importer need not undertake to pay the GST on the service, provided the supply is from an SEZ Unit. 'SEZ Unit' mentioned in the Condition must be interpreted liberally/widely. As long as the supply is from an SEZ Unit, the benefit must be granted. Irrespective of whether the Supplier is an SEZ Unit or not. In present case, the goods are being supplied from an SEZ Unit but the Supplier (the Applicant) is not himself an SEZ Unit. Applicant's goods are stored in an SEZ Unit. However, as long as the goods are moving from an SEZ Unit, the benefit must be extended. Alternatively, it is submitted that the benefit of Notification No. 557B should be applicable to the proposed transaction, since although the lessor (Applicant) is not an SEZ Unit, the removal of goods from FTWZ in the manner contemplated for the present transaction is in line with the purpose for which FTWZs are set up, i.e., to provide storage and warehousing operations for dispatch as and when required.

3.22 The applicant submitted that if the same equipment were brought into India on lease from outside India, the benefit would be available. However, the purpose of the benefit must not be defeated by adopting an interpretation prejudicial to entities making use of FTWZs for warehousing and storage of goods.

3.23 The applicant submitted that from the clarifications highlighted above regarding operation of FTWZ Units, it becomes clear that the benefit contemplated by S. No. 557B must not be defeated by adopting an interpretation that would render the exemption otiose simply because the FTWZ Unit is not the person making the supply, especially since FTWZs are envisaged to be places for warehousing, storage etc. for dispatch when required. Further, these FTWZ Units are specifically allowed to hold goods on behalf of DTA Suppliers and undertake FTWZ – DTA Transactions. Thus, the benefit should be granted to the Applicant.

3.24 **Alternatively, 'SEZ Unit' must be interpreted widely to include all supplies made from SEZ –** The applicant submitted that as stated above, SEZ has been specifically included in the Condition, because there are many transactions taking place from SEZ to DTA. These transactions could be from SEZ Developer and DTA, SEZ Unit and DTA, or Clients based in SEZ Unit and DTA etc. There is no basis to differentiate between all these. As along as the movement of goods is from SEZ to DTA and GST is being discharged on the service (by supplier or supply recipient) the exemption must be provided.

## 4. Port of Import and reply from Jurisdictional Commissionerate

4.1 The applicant in their CAAR-1 indicated that they intend to avail the benefit under Notification No. 50/2017-Customs dated 30.06.2017 Sr. No. 557B for upply of equipment on lease for use in manufacture of rig, from SEZ to DTA at the jurisdiction of office of the Pr. Commissioner of Customs, NS-V, JNCH, Nhava Sheva, Tal: Uran Distt: Raigad, Maharashtra-400707. In terms of Provisions of the Section 28-I(1) of the Customs Act, 1962 read with the Sub-regulation No. (7) of the Regulation No. 8 of the Customs Authority for Advance Rulings Regulations, 2021, the application was forwarded to the office of the Principal Commissioner of Customs, NS-V, JNCH, Nhava Sheva, Tal: Uran Distt: Raigad, Maharashtra-400707 on 23.05.2025 as indicated by the applicant at Sr. No. 13 of their CAAR-1 Forms calling upon them to furnish the relevant records with comments, if any, in respect of the said application. Further reminders were also sent on 17.06.2025, 08.08.2025 and 15.09.2025 to the concerned jurisdictional commissionerates. However, no reply till date has been received.

## 5. Records of Personal Hearing

5.1 A personal hearing was held on 11.09.2025 through online mode Ms. Srinidhi Ganeshan, Advocate (AR) appeared for the personal hearing on behalf of the applicant. She reiterated the contention filed with the application and submitted that in the present case the goods are being supplied on lease from FTWZ to DTA that the said FTWZ unit is not the applicants own unit, but they lease with FTWZ entered into agreement for availing warehousing services. That when goods are Physically imported into India on lease, IGST is not payable on import, if GST is paid on reverse charge mechanism by the importer. In other words, when GST is being paid on lease payment, IGST need not required to be paid on such import.

No one appeared for the hearing from the departments side.

## 6. Additional Submissions

6.1 The applicant vide its letter dated 23.09.2025 submitted a copy of Bill of Entry 9863760 dated 03.05.2025 vide which the import has been cleared after extending the benefit of Sl. No. 557B of Notification No. 50/2017-Cus.

## 7. Discussions and Findings

7.1 I have considered all the materials placed before me in respect of applicability of notification Notification No. 50/2017-Customs dated 30.06.2017 Sr. No. 557B on supply of equipment on lease for use in manufacture of rig, from SEZ to DTA. I have gone through the submissions made by the applicant during the personal hearing and additional submissions made by the applicant as well. Therefore, I proceed to pronounce a ruling on the basis of information available on record as well as existing legal framework.

7.2 The applicant has sought advance ruling in respect of the following questions:

a. Whether benefit of Sl. No 557B of Notification 50/2017-Cus. dated 30.06.2017, is available to goods supplied on lease by the Applicant to lessors in DTA?

b. Will benefit of S. No. 557B of Notification 50/2017-Cus. dated 30.06.2017 be even when GST on the service is discharged by the Applicant (the lessor) and not the lessee?

c. Should the requirement attached to S. No. 557B, namely that the importer must bind himself as per clause (i) in Condition 102 of Notification No. 50/2017-Cus. dated 30.06.2017 be dispensed with for such transactions?

d. If the benefit of S. No. 557B of Notification No. 50/2017 is not available, what is the IGST rate payable on the clearance of equipment in question?

7.3 At the outset, I find that the issue raised at the Sr. No. 08 in the CAAR-1 form is squarely covered under Section 28H(2) of the Customs Act, 1962 being a matter related to the applicability of a notification issued under Section 25(1) of the Customs Act, 1962. I further find that the applicant is a holder of an Importer Exporter Code (IEC) and thereby, is a valid applicant under Section 28E (c) of the Customs Act, 1962 for filing application under Section 28H of the Customs Act, 1962.

7.4 Under Section 30 of the SEZ Act, goods removed from an SEZ (including FTWZ) to DTA are treated as imports into India, and the importer must file a Bill of Entry for home consumption per Rule 48 of the SEZ Rules. Accordingly, such removal is subject to customs duties, unless exempted. Therefore, the applicant is seeking an advance ruling for the applicability of Notification No. 50/2017-Customs dated 30.06.2017 Sr. No. 557B on supply of equipment on lease for use in manufacture of rig, from SEZ to DTA.

7.5 The main issue to consider here is whether goods stored in an FTWZ and supplied on lease to a DTA lessee qualify for the benefit under **Sl. No. 557B of Notification No. 50/2017–Cus.** The relevant excerpts of the SI. No. 557B of Notification No. 50/2017-Cus. are as under:

| S.No. | Chapter or Heading or sub–heading or tariff item | Description of goods | Standard rate | Integrated Goods and Services Tax | Condition No. |
|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 557B | Any Chapter | All goods, vessels, ships other than motor vehicles imported under a transaction covered by item 1(b) or | - | Nil | 102 |

| | | | | | |
|---|---|---|---|---|---|
| | | 5(f) of Schedule II of the Central Goods and Services Tax Act, 2017 | | | |

7.6 From the perusal of the above entry, I observe that this entry grants exemption from IGST on import of all goods including vessels and ships except motor vehicles **under transactions** covered by item 1(b) or 5(f) of Schedule II of the Central Goods and Services Tax Act, 2017, subject to satisfying **Condition 102.** Before proceeding further, it is essential to understand what type of transactions are covered by item 1(b) or 5(f) of Schedule II of the Central Goods and Services Tax Act, 2017. The relevant excerpts are as under:

*"SCHEDULE II*

*[See Section 7]*

*ACTIVITIES OR TRANSACTIONS TO BE TREATED AS SUPPLY OF GOODS OR SUPPLY OF SERVICES*

*1. Transfer*

*...*

*(b) any transfer of right in goods or of undivided share in goods without the transfer of title thereof, is a supply of services;*

*...*

*5. Supply of services*

*...*

*(f) transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration."*

7.7 From the above I gather that item 1(b) or 5(f) of Schedule II of the Central Goods and Services Tax Act, 2017 are related to transfer or supply of services where title of the goods remains with the owner only. In the instant matter, the import from FTWZ (Free Trade Warehousing Zone) to DTA (Domestic Tariff Area) is taking place under a lease transaction. That is, a transaction wherein right to use goods is given, against a consideration, without a change in title. Therefore, the same is covered under the nature of transactions mentioned above.

7.8 Condition No. 102 of Notification No. 50/2017-Customs dated 30 June 2017 lays down the compliance requirements for claiming exemption from Integrated Tax (IGST) on goods imported under lease transactions — i.e., where the right to use goods is transferred without transfer of ownership (as per items 1(b) or 5(f) of Schedule II to the CGST Act, 2017). The relevant excerpts of the same are as under:

| ***Condition No.*** | ***Condition*** |
|---|---|
| *102* | *The importer, by the execution of bond, in such form and for such sum as may be specified by the Commissioner of Customs, binds himself,-*<br>*(i) to pay Integrated tax leviable under section 5(1) of the IGST Act, 2017 on supply of service covered by item 1(b) or 5(f) of Schedule II of the Central Goods and Services Tax Act, 2017;*<br>*(ii) not to sell or part with the goods, without the prior permission of the Commissioner of Customs of the port of importation;*<br>*(iii) to re-export the goods within 3 months from the expiry of the period for which they were supplied under a transaction covered by item 1(b) or 5(f) of Schedule II of the Central Goods and Services Tax Act, 2017 out of India;* |

| | |
|---|---|
| | *(iv)* *to pay on demand an amount equal to the integrated tax payable on the said goods but for the exemption under this notification in the event of violation of any of the above conditions.*<br><br>*Provided that goods may, instead of being re-exported out of India in terms of condition at (iii) above, be given on lease under a transaction covered by item 1(b) or 5 (f) of Schedule II of the Central Goods and Service Tax Act 2017, by lessor to another lessee in India, in which case:*<br>*(a) the original lessee shall give an intimation to the commissioner of customs and get his bond discharged;*<br>*(b) the new lessee shall, by execution of bond, in such form and for such sum, as may be specified by the Commissioner of Customs, bind himself to comply with the conditions herein, as if he were the importer of the goods.*<br><br>*Provided further that in case of goods supplied by an SEZ Unit to DTA under a transaction covered by item 1(b) or 5(f) of Schedule II of the Central Goods and Services Tax Act, 2017, where SEZ Unit is liable to pay integrated tax on such transaction under the Integrated Goods and Services Tax Act, 2017, the lessee shall bind himself only with conditions (ii), (iii) and (iv) above.*<br><br>***Explanation. - In case of goods supplied by an SEZ Unit (lessor) to DTA under a transaction covered by item 1(b) or 5(f) of Schedule II of the Central Goods and Services Act, 2017, -***<br>*(a) the "Commissioner of Customs" or the "Commissioner of Customs of the port of importation", wherever they appear, shall mean "the Specified Officer" as defined in Special Economic Zone Rules, 2006;*<br>***(b) "Re-export" in item (iii) shall mean returning the goods to the lessor.*** |

7.9 In essence, Condition No. 102 requires the importer to execute a bond with the Customs authorities, undertaking (i) to pay IGST on the lease service covered by such transaction; (ii) not to sell or part with the goods without prior permission of the Commissioner of Customs; (iii) to re-export or return the goods to the lessor within three months of expiry of the lease period; and (iv) to pay, on demand, the IGST exempted if any of these conditions are violated. The provisos to this condition provide relaxations — notably, when the goods are supplied by an SEZ Unit to a DTA under a lease, the lessee need not execute the bond for payment of IGST on the service (since the SEZ supplier is already liable to pay GST). In such cases, the lessee is only required to comply with the remaining conditions i.e. Conditions (ii), (iii) and (iv) regarding retention, re-export/return, and payment upon breach. The Explanation further clarifies that, for SEZ transactions, "re-export" means returning the goods to the SEZ lessor. In short, Condition 102 ensures that the exemption avoids double taxation but still secures government revenue by requiring undertakings on proper use and return of the leased goods.

7.10 From the above, I observe that the benefit of IGST exemption is available to a DTA Unit on importing of goods under lease transactions from an SEZ unit subject to **Condition 102** i.e. on execution of a bond regarding retention, re-export/return, and payment upon breach and eventual re-export or return to the lessor (SEZ unit).

7.11 In the instant matter, the applicant itself is not an SEZ Unit, but the Applicant has entered into an understanding with the FTWZ Unit for availing warehousing services and the goods are currently stored in the FTWZ unit. FTWZ unit is defined in SEZ Act, 2005 as under:

*"2(n) "Free Trade and Warehousing Zone" means a Special Economic Zone wherein mainly trading and warehousing and other activities related thereto are carried on."*

7.12 The definition given in SEZ Act, 2005 terms a FTWZ as a SEZ for specific purpose related to trading and warehousing and other related activities. Further, vide Instruction No. 60 dated 06.07.2010 and Instruction No. 49 dated 12.03.2010, it has been further clarified that FTWZ units can hold goods on behalf of DTA suppliers and effect FTWZ–DTA transactions.

7.13 In the instant matter, I am of the considered opinion that although the Applicant itself is not an SEZ unit, however, the goods are physically stored within an FTWZ (a sub-category of SEZ as per Section 2(n) of the SEZ Act). Further, since the goods would be transferred from an FTWZ (Free Trade Warehousing Zone) unit to DTA, under lease transaction, the exemption under Sr. No. 557B of the Notification No. 50/2017-Customs dated 30.06.2017 is available to the applicant.

8. In light of the above facts, discussions and observations, my views on the questions raised by the applicant are as under:

a. *Whether benefit of Sl. No. 557B of Notification No. 50/2017–Cus. is available to goods supplied on lease by the Applicant to lessee in DTA?*

Ans. I answer in the affirmative that the benefit shall be available, provided the transaction is covered under items 1(b) or 5(f) of Schedule II to the CGST Act and the conditions (ii), (iii), and (iv) of Condition 102 are fulfilled.

b. *Will the benefit be available even when GST on the lease service is discharged by the lessor and not the lessee?*

Ans. I answer in the affirmative that the condition requiring execution of bond under clause (i) of Condition 102 shall stand dispensed with, since the lessor (Applicant) is liable to pay GST on the service in India on forward charge basis, ensuring the objective of avoiding double taxation is met.

c. *Whether the requirement under clause (i) of Condition 102 is applicable?*

Ans. I answer in negative since the supplier is located in the taxable territory and discharges GST on lease services.

d. *If benefit is not available, what is the IGST rate applicable?*

Ans. Not applicable, as the benefit under Sl. No. 557B is admissible in the present case.

9. I rule accordingly.

21/11/25

**(Prabhat K. Rameshwaram)**
Customs Authority for Advance Rulings, Mumbai

सीमाशुल्क अग्रिम विनिर्णय प्राधिकरण, मुंबई
Customs Authority For Advance Rulings, Mumbai

**F. No. CAAR/CUS/APPL/89/2025-O/o Commr-CAAR-Mumbai** **Dated:21-11-2025**

This copy is certified to be a true copy of the ruling and is sent to:

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**(Vivek Dwivedi)**
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