

**PRESS NOTE NO. 19
(1998 SERIES)**

Government of India
Ministry of Industry
Department of Industrial Policy & Promotion
Udyog Bhawan,

SUBJECT: Policy and Procedure governing automatic approval under the scheme for 100% Export Oriented Units (EOUs) and Export Processing Zone (EPZ) units – Liberalization - Regarding.

The policy and procedure governing automatic approvals under the scheme for EOUs and EPZ units were laid down in Press Note No. 13 (1991) dated 9.10.1991, which were further liberalised through Press Note No. 3 (1995) dated 19.4.1995, No. 8 (1997) dated 7.7.1997 and No. 6 (1998) dated 10.7.1998.

It has been laid down that for automatic approvals, the proposals should inter-alia meet the following criteria :-

1. The payments for foreign technology agreements, if any, should not exceed lump sum fee of Rs. 1.00 crore or 8% royalty (net of taxes) over a period of 5 years from the date of commencement of commercial production; and
2. The activity envisaged in the proposal must be a manufacturing activity, as covered within the ambit of Section 3 of the Central Excise & Salt Act, 1944.

With a view to liberalise the procedure further, Government have now decided that the proposals envisaging foreign technology agreements with a lump sum fee of US \$ two million and royalty payments upto 8% on exports and 5% on DTA sales (net of taxes) over a period of 5 years from the date of commencement of commercial production, will be approved under the automatic route.

Similarly, the proposals, other than the manufacturing activities within the ambit of Section 3 of the Central Excise Act, will also be allowed automatic approvals, provided the proposed activity is included in Para 9.1 of the EXIM Policy. Other criteria for granting automatic approvals shall continue to be in force.

Sd-

(ADITI S. RAY)
DIRECTOR

New Delhi, dated the 15th December, 1998

(ASHOK KUMAR)

Joint Secretary to the Government of India