

**Government of India
Ministry of Finance
Department of Revenue**

**LOK SABHA
UNSTARRED QUESTION NO. 2609
TO BE ANSWERED ON FRIDAY, MARCH 17, 2017
PHALGUNA 26, 1938 (SAKA)**

REVENUE LOSSES

2609: SHRI GOPAL SHETTY:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has made any assessment of revenue losses as a result of tax concession given to the special economic zones and export sectors;
- (b) if so, the details thereof; and
- (c) the steps taken by the Government to make up the revenue loss?

**ANSWER
MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SANTOSH KUMAR GANGWAR)**

(a) & (b): Yes, Madam.

For Direct Tax, various tax concessions in the form of exemptions/ deductions etc. have been provided under the Income-tax Act, 1961 which have been availed by different sectors of Commerce and Industry including Special Economic Zones (SEZs) and export sectors. No sector wise details of industry are however maintained and section wise details of revenue impact of direct tax incentives is presented before Parliament with Budget in the form of document titled, "Statement of Revenue Impact of Tax Incentives under the Central Tax System"

Figures of section-wise revenue impact of direct tax concessions given to special economic zones and export sectors for the financial year 2015-16 are as follows:

(Rs. in Crore)

Nature of Incentive/ Deductions	Companies	Firms/AoPs/BoIs
Deduction of export profits of units located in SEZs (section 10A and 10AA)	18,864.3	387.6
Deduction of profits of undertakings engaged in development of SEZs and Industrial Parks (section 80-IA)	403.5	75.9
Deduction of profits of undertakings engaged in development of SEZs in pursuance to SEZ Act, 2005 (section 80-IAB)	1949.8	26.3

Total	21,217.6	489.8
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Revenue foregone on various export promotion schemes during 2015-16 for Indirect Tax was as under:

(Rs. in Crore)

S.No.	Name of the Scheme	2015-16
1	Advance Licence Scheme	25,634
2	EOU/EHT/STP	5,613
3	EPCG	9,884
4	DEPB Scheme	395
5	SEZ	9,925
6	DFRC	1
7	Duty Free Import Authorisation Scheme	1,321
8	Duty Free Entitlement Credit Certificate	231
9	Target plus schemes	1,001
10	Vishesh Krishi and Gram Udyog Yojana	1,953
11	Served from India Scheme	655
12	Focus Market/Product Scheme	10,374
13	Merchandise Exports from India Scheme	-
	TOTAL	66,987

(c): Direct tax concessions are a part of overall fiscal incentives provided by the government to realise macroeconomic objectives and achieve policy goals of development and growth of various sectors of economy. Though the revenue impact has been quantified in terms of tax expenditure as above, it does not imply that this quantum of revenue has been waived by the Government. However, Minimum Alternate Tax(MAT) is levied at 18.5% of book profits of the companies(Alternate Minimum Tax(AMT) levied in the case of non-corporate assesseees at 18.5 % of Adjusted Total Income) including those which are availing tax concessions in SEZs. In this connection, it may also be mentioned that during 2015 Budget Speech, FM announced intention of government to phase out various deductions and exemptions under the Income-tax Act and consequently deductions and exemptions including the deductions availed by export sector and SEZs have been phased out through Finance Act,2016.

For Indirect Tax, these incentives have been extended as part of Government Policy to incentivise exports. Tax are not meant to be exported, therefore, it is not duty loss per se. This is a notional loss.
