

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
(DEPARTMENT OF COMMERCE)

LOK SABHA
UNSTARRED QUESTION NO. 5363
TO BE ANSWERED ON 05th APRIL, 2023

SEZ Act

**5363. SHRIMATI BHAVANA PUNDALIKRAO GAWALI:
SHRI KRUPAL BALAJI TUMANE:**

Will the Minister of **COMMERCE & INDUSTRY** (वाणिज्य एवं उद्योग मंत्री) be pleased to state:

- (a) whether the Government proposes to amend the Special Economic Zones (SEZs) Act to enable the State to become a partner in enterprise development and service sectors and if so, the details thereof;
- (b) whether there is a provision for optimum utilization of infrastructure available in all major existing and new industrial enclaves and to increase competitiveness in exports if so, the details thereof;
- (c) whether the Government has proposed to improve the Customs Administration of SEZs and henceforth it will be fully IT driven and it is likely to work on the Customs National Portal;
- (d) if so, the details thereof; and
- (e) the other reforms being undertaken by the Government for SEZs in the country?

ANSWER

वाणिज्य एवं उद्योग मंत्रालय में राज्य मंत्री (श्रीमती अनुप्रिया पटेल)

**THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY
(SMT. ANUPRIYA PATEL)**

(a) and (b): As announced in Union Budget 2022-23, Special Economic Zones Act, 2005 will be replaced with a new legislation that will enable the State Governments to become partners in Development of Enterprise and Service Hubs. It would cover all large existing and new industrial enclaves to optimally utilise available infrastructure and enhance competitiveness of exports. The legislation is currently under inter-ministerial consultations.

(c) and (d): The project is under implementation on pilot basis in MEPZ SEZ, Chennai and GIFT SEZ, Gandhinagar. After successful completion of the pilot, the same shall be implemented across all Zones.

(e): SEZ reform is an on-going process and on the basis of inputs/suggestions received from stakeholders on the policy and operational framework of the SEZs, Government periodically takes necessary measures for facilitating smooth and effective implementation of the SEZ Act/Rules. Several measures have been initiated to enhance ease of doing business for SEZ Developers/Units as detailed in **Annexure.**

Annexure referred to in reply to part (e) of Lok Sabha Unstarred Question No. 5363 for 5th April, 2023

Measures for enhancing Ease of Doing Business in SEZs:

1. DoC letter dated 28.01.2019 regarding formalize “de-notification” process for enclaves and delink its present mandatory usage for SEZs purpose only.
2. Method of calculation for Net Foreign Exchange earning criteria was reviewed and modified vide Notification dated 07.03.2019.
3. An amendment to the SEZ Rules in 7th March, 2019 to allow employees of IT/ITeS SEZ units to work for home.
4. Instruction No. 94 dated 08.05.2019 relating to uniform list of services to SEZ, a broad list of input services that could be utilized by SEZ units for their day-to-day operations thereby avoiding the requirement of the units to seek permission of Development Commissioners for each such instance.
5. Instruction No. 95 dated 08.05.2019 relating to setting up of cafeteria, gymnasium, creche and other similar facilities / amenities allowed to SEZ units.
6. Amendment vide Notification dated 8th July, 2019 in SEZ Act, 2005 [Section 2(v)] for enabling Trusts and any other entity notified by the Central Government to set up units in SEZ.
7. Instruction No. 96 dated 31.07.2019 relating to guidelines for clearance of abandoned goods/ uncleared cargo laying in Free Trade Warehousing Zones (FTWZs.)
8. Instruction No. 98 dated 29.08.2019 Developer are allowed flexibility to enter into a long term lease agreement with stakeholders in Zones in line with the State policies.
9. Instruction No. 101 dated 01.11.2019 relating to delegation of powers to Development Commissioner for shifting of SEZ unit from one SEZ to another within their jurisdiction.
10. Rule 53A inserted to facilitate the calculation of net foreign exchange for a unit in an International Financial Service Centre in view of its special nature vide Notification dated 31.12.2019.
11. Support to enable servicification of manufacturing zones. Allowing manufacturing enabling services companies e.g. Research and Development (R&D) services, engineering design services, logistics service.
12. Enabling provisions for transfer of approval from one co-developer to other co-developer.
13. Vide amendment dated 23.10.2020, a proviso in Rule 24(3) of the SEZs Rules inserted regarding admissibility of Drawback and any other similar benefit on supplies from Domestic Tariff Area to foreign suppliers in Free Trade and Warehousing Zone, where the payments are made in foreign currency by the foreign supplier to Domestic Tariff Area.
14. A new rule 21A inserted in SEZ Rules, 2006 vide Notification dated 16.06.2021 which enables setting up of Unit by Multilateral or Unilateral or International agencies notified under United Nation (Privileges and Immunities) Act, 1947 (46 of 1947) in International Financial Services Centre.

15. Power Guidelines, 2016 amended vide OM dated 07.06.2021 allowing a unit to set up non-conventional power plants within their premises for the exclusive purpose of captive consumption subject to the condition that non tax/duty benefits stipulated under Section 26 of SEZ Act, 2005.
16. Instruction no. 106 relating to the policy for worn/used clothing and plastic recycling units in SEZs was issued on 27.5.2021.
17. Instruction No. 107 dated 26.08.2021 was issued for minimizing regulatory compliances for Pharma Industry. Further, integration of Food Standards and Safety Authority of India (FSSAI) with SEZ Online System has been made live.
18. Instruction No. 108 dated 11th October, 2021 was issued pertaining to alternative method of transfer of space by an existing unit under Rule 74 of SEZ Rules, 2006.
19. Instruction No. 109 dated 18th October, 2021 was issued which provides that reorganization including change of name, change of shareholding pattern, business transfer arrangements, court approved mergers and demergers, change of constitution, change of Directors, etc. may be undertaken by the Unit Approval Committee (UAC) concerned subject to the condition that Developer/Co-developer/Unit shall not opt out or exit out of the Special Economic Zone and continues to operate as a going concern.
20. A rule amendment has been carried out in Rule 41 and 42 of SEZ Rules, 2006 vide notification no. G.S.R 288(E) dated 8th April, 2022 to include precious metals while carrying out job-work from SEZs.
21. A new rule 19A was inserted in SEZ Rules, 2006 which enables any Unit authorised under rule 19 to store bullion as the underlying asset for the purpose of issuance of a bullion spot delivery contract or bullion depository receipt with underlying bullion that is traded in a bullion exchange shall be deemed to be in an International Financial Services Centre.
22. A policy for used/worn clothing and plastic recycling units in SEZs/ EOUs has been issued on 5th May, 2022 thereby extending the LoAs of the plastic recycling units in SEZs/ EOUs for a term of 5 years instead of 18 months as prescribed in the policy guidelines dated 27.05.2021.
23. A new rule 29A was inserted in SEZ Rules, 2006 vide notification dated 03.10.2022 in respect of International Financial Services Centre (IFSC) dealing with providing provisions for procedures of import, removal of aircraft by an aircraft leasing units in an IFSC to an importer in India, procurement/return of aircraft from Non Scheduled Operator Permit (NSOP) or Scheduled Operator Permit (SOP) or any other Domestic Tariff Area (DTA) supplier by /to IFSC unit upon expiry of lease period and export of aircraft by IFSC unit to outside India respectively.
24. A rule amendment has been carried out in Rule 43A of SEZ Rules, 2006 vide notification dated 08.12.2022 to allow certain category of employees to work from home upto 31.12.2023.
25. A new rule 21B was inserted in SEZ Rules, 2006 vide notification dated 23.02.2023 to allow an aircraft leasing unit in an International Financial Services Centre (IFSC), to utilise office space or manpower or both, of another unit set up in IFSC authorised to undertake aircraft leasing activity.
