

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

LOK SABHA  
UNSTARRED QUESTION NO. 2253  
TO BE ANSWERED ON 04<sup>th</sup> MARCH, 2020

STATUS OF SEZ s IN INDIA

2253. SHRI KAPIL MORESHWAR PATIL:

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

- (a) the salient features of the current Special Economic Zones (SEZs) policy;
- (b) whether shortcomings of the said policy have been reported in the said policy, resulting in huge revenue losses to the Government and if so, the details thereof;
- (c) whether the Government proposes to review the SEZ policy including amendments in the relevant law and/or procedure thereon; and
- (d) if so, the details and the present status thereof?

ANSWER

वाणिज्य एवं उद्योग मंत्री ( श्री पीयूष गोयल )  
THE MINISTER OF COMMERCE AND INDUSTRY  
(SHRI PIYUSH GOYAL)

(a): The Special Economic Zones (SEZs) policy was launched in April, 2000. The Special Economic Zones Act, 2005, was passed by Parliament in May, 2005 which received Presidential assent on the 23<sup>rd</sup> of June, 2005. The SEZs Rules, 2006 came into effect on 10<sup>th</sup> February, 2006. The salient features of the SEZ scheme are:-

- (i) A designated duty free enclave to be treated as a territory outside the customs territory of India for the purpose of authorised operations in the SEZ;
- (ii) No licence required for import;
- (iii) Manufacturing or service activities allowed;
- (iv) The Unit shall achieve Positive Net Foreign Exchange to be calculated cumulatively for a period of five years from the commencement of production;
- (v) Domestic sales subject to full customs duty and import policy in force;
- (vi) SEZ units will have freedom for subcontracting;
- (vii) No routine examination by customs authorities of export/import cargo;
- (viii) SEZ Developers /Co-Developers and Units enjoy Direct Tax and Indirect Tax benefits as prescribed in the SEZs Act, 2005.

(b): The fiscal concessions and duty benefits allowed to SEZs are inbuilt into the SEZs Act, 2005. These exemptions are in the nature of incentives for export and are consistent with the principles that guide export promotion initiatives of the Government in general. Incentives provided are conscious public policy actions and cannot be termed as revenue loss.

(c) & (d): The Government had constituted a Group of eminent persons under the Chairmanship of Shri Baba Kalyani vide Department of Commerce Order dated 04.06.2018 to study the SEZ Policy of India. The Group submitted its report to Hon'ble CIM on 19.11.2018. A number of recommendations of the Group have already been implemented which are at **Annexure**.

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## ***Annexure to the Lok Sabha Unstarred Question No. 2253 for 4<sup>th</sup> March, 2020***

The recommendations of the Group which have already been acted upon are as follows.

- Review specific exclusions proposed in NFE computation in light of “Make in India” initiative, especially projects of economic importance - The recommendation sought that the status quo prior to 19.09.2018 should be retained. Accordingly, the same was implemented through a suitable amendment to the SEZ Rules in March-2019.
- Sharing of duty exempted assets/ infrastructure between units to be allowed against specific approval – This recommendation was implemented through a suitable Clarification issued on 11.06.2019 for allowing usage of common infrastructure like canteen / datacenters etc among SEZ units against specific approval.
- Inclusion of indigenous goods in NFE computation should be excluded as there is no foreign exchange outflow on procurement of indigenous goods and same is contrary to the objective of NFE and principles followed for EOUs - The same was implemented through a suitable amendment to the SEZ Rules in March-2019.
- Formalize “de-notification” process for enclaves and delink its present mandatory usage for SEZs purpose only - This recommendation was implemented through a suitable Clarification dated 28.01.2019 issued to all DCs with copy to State/UTs which relaxed the mandatory usage requirement that stipulated that the denotified land shall be used for SEZ purpose only.
- Support to enable servicification of manufacturing zones. Allowing manufacturing enabling services companies e.g. R&D services, engineering design services, logistics service – This recommendation has been implemented through a suitable amendment to Rule 5 of the SEZ rules on 17.12.2019 which rendered all existing and future SEZs as multi-sector SEZs thereby allowing for the co-existence of SEZ units of any sector with any other sector.
- Broad-banding definition of services/allowing multiple services to come together - This recommendation has been implemented through a suitable amendment to Rule 5 of the SEZ rules on 17.12.2019 which rendered all existing and future SEZs as multi-sector SEZs thereby allowing for the co-existence of SEZ units of any sector with any other sector.
- Review/relax minimum land/built-up area requirement - This recommendation has been implemented through a suitable amendment to Rule 5 of the SEZ rules on 17.12.2019 which relaxed the minimum land area requirement for setting up a multi-sector SEZ from the erstwhile requirement of 500 hectares to 50 hectares.
- Developer should be allowed flexibility to enter into a long term lease agreement with stakeholders in Zones in line with the State policies - This recommendation was implemented through an instruction No. 98 dated 29.08.2019 which relaxed the earlier stipulation of maximum lease period of 30 years to allow flexibility in lease tenure which would be in line with the maximum tenure allowed under the state / local government law / regulations.
- The application for constructing minimum built up area by Developer or Co-developer beyond a period of ten years from the date of notification of the Special Economic Zone to be considered by BOA on merits of each case - This recommendation has been implemented through a suitable amendment to Rule 5 of the SEZ rules on 17.12.2019 thereby empowering the Board of Approval to consider proposals for extensions for period beyond earlier stipulated ten years based on the merits of each case.

- Enabling provisions for transfer of approval from one co-developer to other co-developer – This recommendation has been examined and is being implemented through the mechanism of Board of Approvals which examines and approves such proposals on the merits of each case.
- Funding mechanism for last mile connectivity for SEZs - A mechanism for funding such requirement of last mile connectivity infrastructure has enabled through the existing scheme of TIES which has been clarified through suitable instruction to Development Commissioners in Jan-2020.

Besides the recommendations of the Group, the following further steps have been taken towards enabling ease of doing business and enhancing flexibility.

- Delegation of powers to Development Commissioner for shifting of SEZ unit from one SEZ to another within their jurisdiction – Earlier such proposals for shifting of SEZ units from one SEZ to another were processed and approved at the level of Commerce Secretary which has now been delegated to the level of jurisdictional Development Commissioners.
- Enable a trust to be considered eligible to set-up a unit in a SEZ, including a unit to be set-up in the International Financial Services Centre (IFSC). This will also provide flexibility to GoI to include any entity that may be required to be notified from time to time to set-up a unit in a SEZ
- Setting up of cafeteria, gymnasium, creche and other similar facilities / amenities allowed to SEZ units – The request of SEZ units to set up facilities such as cafeteria, gymnasium, creche and other similar facilities / amenities were allowed through a suitable Instruction dated 11.06.2019.
- Revised guidelines for Work from Home policy – The revised guidelines were enabled through an amendment to the SEZ Rules in March-2019 to allow for employees of SEZ units to work for home.
- Uniform list of services to SEZ – This provides for 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.

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