

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

LOK SABHA
STARRED QUESTION NO. 11(H)
TO BE ANSWERED ON 02nd FEBRUARY, 2022

SEZ POLICY

*11(H). SHRI AJAY NISHAD:

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

- (a) the main features of the present Special Economic Zone (SEZ) policy;
- (b) whether shortcomings have been detected in the said policy which has caused huge revenue loss to the Government;
- (c) if so, the details thereof;
- (d) whether the Government has reviewed the SEZ policy and carried out or proposes to carry out any amendment in the rules, laws and procedures related to the said policy; and
- (e) if so, the details thereof?

ANSWER

वाणिज्य एवं उद्योग मंत्री (श्री पीयूष गोयल)

THE MINISTER OF COMMERCE AND INDUSTRY
(SHRI PIYUSH GOYAL)

(a) to (e): A Statement is laid on the Table of the House.

**STATEMENT REFERRED TO IN REPLY TO PARTS (a) to (e) OF LOK SABHA
STARRED QUESTION NO. 11 FOR ANSWER ON 02nd FEBRUARY, 2022
REGARDING “SEZ POLICY”.**

(a): The Special Economic Zones (SEZs) policy was launched in April, 2000 as part of the extant Foreign Trade Policy, 2000-05 (FTP 2000-05). The Special Economic Zones Act, 2005, was passed by Parliament in May, 2005 which received Presidential assent on the 23rd of June, 2005. The SEZ Rules, 2006 came into effect on 10th February, 2006. The salient features of the SEZ Act, 2005 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 imports into SEZ;
- (iii) Single Window Clearance at the level of Board of Approval (BOA) and Unit Approval Committee (UAC);
- (iv) SEZ Units are required to achieve Positive Net Foreign Exchange (NFE) to be calculated cumulatively for a period of five years from the commencement of production;
- (v) Supply of goods from SEZ units to Domestic Tariff Area (DTA) is allowed on payment of Customs duties including anti-dumping, countervailing and safeguard duties under the Customs Tariff Act, 1975, where applicable, as leviable on such goods when imported;
- (vi) No routine examination by Customs authorities of export/import cargo;
- (vii) Dedicated Customs wing for fast clearance.
- (viii) SEZ Developers /Co-Developers and Units enjoy Direct Tax and Indirect Tax benefits as prescribed in the SEZ Act, 2005.

(b) and (c): No Sir.

(d) and (e): Review of SEZ policy 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. Amendments carried out in the SEZ Act, 2005 and SEZ Rules, 2006 during the last three years are at **Annexure**.

Annexure to the Lok Sabha Starred Question No. 11 for 2nd February, 2022

Amendments carried out in the SEZ Act, 2005 and SEZ Rules, 2006 during the last three years:

1. Amendments carried out in the SEZ Act, 2005:

Amendments carried on 8th July, 2019 for enabling Trusts and any other entity notified by the Central Government to set up units, definition of persons in Section 2(v) has been amended through the Special Economic Zones (Amendment) Bill, 2019. The bill got assent of President of India on 06.07.2019.

2. Amendments carried out in the SEZ Rules, 2006:

(a) Amendment carried out on 31st January, 2019:-

In Rule 42(1)(ii)(h) of the SEZs following amendment has been made:

Provided further that in case of a gems and jewellery unit, studded gold jewellery, silver jewellery and imitation jewellery, the finished goods requiring further processing or semi-finished goods, taken outside the Special Economic Zone for sub-contracting by the unit, shall be brought back into the unit within forty-five days.

(b) Amendment carried out on 7th March, 2019:-

In the backdrop of amendment carried on 19th September, 2018, suggestions from stakeholders were received to further amend the SEZ Rules and accordingly, the amendment were carried out including the amendment in rule 53 regarding method of calculation of Net Foreign Exchange (NFE) for the Units in SEZs.

(c) Amendment carried out on 17th December, 2019:

For utilization of the vacant spaces in SEZs, removal of distinction between sector specific and multi sector requirement, an amendment vide notification G.S.R. 940(E) dated 17th December, 2019 has been carried out for encouraging more investment and growth in exports.

(d) Amendment carried out on 31st December, 2019:

Rule 53A has been inserted to facilitate the calculation of net foreign exchange for a unit in an International Financial Service Center in view of its special nature.

(e) Amendment carried out on 23rd October, 2020:

In Rule 24(3) of the SEZs following proviso has been made:

Provided further that in case of supplies from Domestic Tariff Area to foreign suppliers in Free Trade and Warehousing Zone, the drawback or any other similar benefit Scheme shall be admissible where the payments are made in foreign currency by the foreign supplier to Domestic Tariff Area subject to sub-rule (5) of rule 18 of the said rules.

(f) Amendment carried out on 16th June, 2021:

After Rule 21 of the SEZs following rule has been inserted, namely:-

21A. Setting up of Unit by Multilateral or Unilateral or International agencies in International Financial Services Centre:-

- (1) A Multilateral agency or Unilateral agency or International agency notified under the United Nations (Privileges and Immunities) Act, 1947 (46 of 1947) shall be allowed to set up their local or regional office in the International Financial Services Centre as an Unit.
- (2) The application for setting up and operation of such Unit in the International Financial Services Centre shall be made before the Board of Approval through the concerned Development Commissioner.
- (3) The terms and conditions for setting up and operations by such Units shall be laid down by the Board of Approval based on the recommendation of the Development Commissioner.
- (4) Notwithstanding anything contained under these Rules, the Board of Approval may exempt such Units from any provisions of these Rules including provisions relating to positive Net Foreign Exchange earning or filing of Annual Performance Report or such other exemption, based on the recommendation of the Development Commissioner.
- (5) The proposal for extension of the Letter of Approval of such Units shall be considered by the Board of Approval.
