



## **SPECIAL ECONOMIC ZONE**

With a view to enabling hassle free manufacturing and trading activity for the purpose of exports, Special Economic Zones are being set up. Sale in Domestic tariff Area by the units in these Zones will be permitted only on payment of full Customs Duty.

A private sector Special Economic Zone in area of about 3,500 hectares has been sanctioned at Pipavav in Gujarat on the West Coast. Another Special economic Zone has been sanctioned at Tutucorin in Tamil Nadu. Besides, the existing Export Processing Zones at Mumbai, Kandla, Vishakhapatnam and Cochin are also being converted into Special Economic Zones.

### **Steps to boost investments in SEZ's**

The government has chalked out an investor-friendly package to facilitate investments in the special economic zones (SEZs). The main objective of the special package is to reduce the procedural requirements while providing more sectors under the automatic FDI route. Under the new guidelines, all SEZ developers will be allowed duty-free import procurement from DTA (domestic tariff area) for development of SEZ to give a boost for development of integrated infrastructure for exports. The new policy also allows duty-free imports and procurement from DTA of goods for setting up of factory in the zone permitted. The fiscal measures include tax holidays and special benefits with SEZ developers being given infrastructure status under Finance Bill 2001. In a major move to liberalise the industrial zones and make them comparable with world standards, the government has now allowed units in SEZ to bring back their export proceeds in 365 days against the normal period of 180 days. Moreover, these units can also retain 100 per cent of their proceeds in the EEFC account. Developers have also been permitted to sub-contract a part of their contract abroad.

### **Product-specific AEZ's to be set up to boost exports**

The government has now decided to develop product-specific agricultural export zones (AEZs). According to the policy, states will identify product-specific AEZs for end-to-end development from a geographically contiguous area. They will also have to evolve a comprehensive package of services provided by all state government agencies, agricultural universities, and some Central institutions and agencies for "intensive delivery" in these zones. The AEZs would have access to the Centre's proposed market access initiative, which will provide market research, warehousing and retail marketing infrastructure in select countries, and direct market promotion activities. In return, companies providing common infrastructural facilities like grading, packaging, cold

storage, transport equipment/refrigerated vans, treatment, and screening facilities shall be eligible for incentives like EPCG, and DEPB/ advance licence/DFRC for inputs like fertilizers, pesticides, and packing materials. They would also be eligible for recognition as export house/trading house/star trading house/super star trading house.

## **Policy Guidelines**

### **Special Economic Zone (SEZ)**

Special Economic Zone (SEZ) is a specifically delineated duty free enclave and shall be deemed to be foreign territory for the purposes of trade operations and duties and tariffs. Goods going into the SEZ area shall be treated as deemed exports and goods coming from the SEZ area into DTA shall be treated as if the goods are being imported.

In any SEZ, goods may be imported, procured from DTA, without payment of duty for the purpose of manufacture of goods and services, production, processing, assembling, trading, repair, reconditioning, re-engineering, packaging or in connection therewith and export thereof.

A SEZ may be set up in the public, private, joint sector or by state Government as notified by the Ministry of Commerce and Industry. The existing Export Processing Zones (EPZs) may also be converted into SEZ by the Ministry of Commerce and Industry through issue of a notification.

### **Approvals**

All proposals for setting up of units in SEZ will be approved by the Development Commissioner. Specific approval will be granted for (a) manufacturing, (b) trading, (c) reconditioning repair, re-engineering etc., and (d) for service activity.

### **Subcontracting**

SEZ unit may subcontract a part of their product or production process in the DTA with permission of customs authorities.

Gem and jewellery units may be allowed to receive plain gold/silver/platinum jewellery from DTA against exchange of gold/ silver/platinum of the same purity and quantity in weight as that of the said jewellery. The DTA units supplying such jewellery against exchange of gold/ silver/ platinum shall not be entitled for deemed export benefits. The SEZ unit shall not be eligible for wastage or manufacturing loss against such jewellery.

### **Administration of SEZ**

SEZ shall be under the administrative control of the Development Commissioner.

### **Transitional Arrangement**

An existing EPZ unit will have the following options.

- (a) It can opt for SEZ scheme under this chapter. On conversion, its previous obligations as an EPZ unit shall be subsumed by its obligations under SEZ. The raw materials, components, consumable and finished goods lying in stock with the unit at the time of conversion shall be taken as its opening balance under the SEZ scheme. All unutilized DTA sale entitlements of the unit shall cease to exist from the date of conversion as notified by the Ministry of Commerce and Industry.
- (b) In case an existing EPZ decides not to opt for (a) above, it can either convert into an EOU or de-bond. In both the cases the unit shall physically move out of the SEZ.