

SEZs IN INDIA

INDIANNNESS

- **PVT SECTOR DRIVEN**
- **HYBRID OF CHINESE SEZ AND EPZ**
- **KEY ROLE OF SG**
- **UNIQUE FISCAL REGIME:
BY LAW**

- **REGULATORY REGIME**
- **EFFECTIVE AND EFFICIENT REGULATORY REGIME:
SINGLE ENFORCEMENT
AGENCY**
- **SINGLE COURT**

- **LEGAL FRAMEWORK:
WINDOWS IN EXISTING
LAWS LEADING TO STATE
& CENTRAL ACTS**
- **SEZ REFORMS DRIVEN BY
ECONOMIC NEED & LOGIC
AND SECULAR TO
“POLITICAL
ENVIRONMENT”**

SEZ POLICY

- **EVOLVED OVER LAST THREE YEARS**
- **GOI AND RESPECTIVE SG(12)**
- **CENTRAL SEZ ACT READY**

- **SIX SG HAVE ENACTED STATE SEZ ACTs**
- **EVOLUTION OF POLICY FW**

POLICY FW

- **DEVELOPER:**
 - INCOME EXEMPTION**
 - DDT/CG/MAT**
 - CST/SERVICE TAX**
 - STATE TAXES**
 - FDI**

- » **DUTY FREE MATERIAL**

- » **TRANSFER OF FACILITY FOR O&M**

- » **FREDOM TO FIX PRICES**

- » **INCOME OF INSTITUTIONAL /INDIVIDUAL INVESTORS**

- » **NO LICENSE FOR POWER GEN/DISTR**

SEZ UNITS

- **No licence required for import**
- **Manufacturing, trading and services allowed.**
- **Freedom to subcontract**
- **Single window approval by DC**



SEZ UNITS (Contd.)

- **No licence needed to manufacture items reserved for SSI sector**
- **100% FDI allowed in manufacturing through automatic route except in a few sectors.**
- **No cap on foreign investments items reserved for SSI.**



SEZ UNITS (Contd.)

FEMA

- **Guidelines issued by RBI in Nov 2002 for setting up Off-shore Banking Units in SEZs.**
- **External commercial borrowings by units allowed without any maturity restrictions.**
- **Freedom to bring in export proceeds without any time limit**



SEZ UNITS (Contd.)

FEMA (contd.)

- **100% of export proceeds in EEFC account.**
- **Freedom to make overseas investment from it.**
- **Insurance outside India allowed**
- **Capitalisation of import payables**
- **Commodity hedging permitted.**



SEZ UNITS (Contd.)

FEMA (contd.)

- **Foreign cos permitted to set up branches for manufacturing activities**
- **Exemption from interest rate surcharge on export finance.**
- **SEZ allowed to write off unrealised export bills.**



SEZ UNITS (Contd.)

Customs and Excise :

- **Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units.**

Central Sales Tax Act :

- **Exemption to sales made from Domestic Tariff Area to SEZ units.**



SEZ UNITS (Contd.)

Income Tax Act:

- **100% IT exemption (10A) for first 5 years, 50% for 5 years thereafter and 50% of reinvestment for 10 years**
- **Exemption from DDT, & MAT**
- **Permitted to carry forward losses**
- **OBU's allowed to have full IT exemption for 5 years and 80% thereafter.**

Service Tax:

- **Exemption from Service Tax to SEZ units.**



SEZ UNITS (Contd.)

Environment

- **Permitted facilities like golf courses, desalination plants, hotels and non-polluting service industries in the Coastal Regulation Zone area**
- **Exemption from public hearing under Environment Impact Assessment Notification.**



SEZ UNITS (Contd.)

Drugs and Cosmetics :

- **Exemption from port restriction under Drugs & Cosmetics Rules**
- **Single window mechanism in Zones having such units**



SEZ UNITS (Contd.)

Companies Act :

- **Office of Registrar of Companies in SEZs.**
- **Exemption from requirement of domicile in India for 12 months prior to appointment as Director.**
- **Enhanced limit of Rs. 2.4 crores per annum allowed for managerial remuneration**



DTA SUPPLIER



FACILITIES NOTIFIED FOR DTA SUPPLIER

- **Supplies from Domestic Tariff Area (DTA) to SEZ to be treated as physical export under IT, Customs and CST Act**
- **DTA supplier entitled to :**
 - **Drawback/DEPB**
 - **CST Exemption**
 - **Exemption from State levies**
 - **Discharge of its EP**
 - **IT exemption u/s 80HHC**



DEVELOPMENT OF SEZ

- **LAND ACQUISITION**
- **MIN AREA**
- **MODULAR APPROACH**
- **ROLE OF DEVELOPER**

- **INFRA/ ON SITE DEVELOPMENT**
- **EXTERNAL INFRA LINKAGES**
- **CO-DEVELOPERS**

SOME CRITICAL POLICIES

- **CUSTOMS**
- **LABOUR**
- **ENVIRONMENT**
- **POWER**

- **FOREIGN EXCHANGE CONTROL**
- **FOREIGN INVESTMENT**
- **LICENSING**

PROJECT RISKS

- **LOCATION AND LAND ACQUISITION**
- **REGULATORY REGIME-EFFECTIVENESS**

- **STABILITY OF POLICY**
- **FINANCIAL CLOSURE**

**THANK
YOU**