

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:988

ANSWERED ON:30.07.2010

SEZS RELATED TAX BENEFITS UNDER DTC

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**Will the Minister of FINANCE be pleased to state:**

- (a) the state-wise number of Special Economic Zones (SEZs) in operation as well as SEZs under notification/ development;
- (b) whether the revised draft of the Direct Tax Code (DTC) provide no tax benefits to new units in the SEZs of the country;
- (c) if so, the details thereof alongwith the reasons therefor;
- (d) the details of representations received and response made in this regard; and
- (e) the measures taken or proposed to be taken to extend tax benefits to the units yet to start operation?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a): In addition to seven Central Government Special Economic Zones (SEZs) and 12 State/ Private Sector SEZs set up prior to the enactment of SEZ Act, 2005, formal approval has been accorded to 576 proposals out of which 358 SEZs have been notified. A total of 114 SEZs are already exporting. Details of State-wise distribution of approved Special Economic Zones is annexed.

(b) to (e): In respect of SEZs, the draft Direct Tax Code ( DTC) released in August, 2009 proposed the following:

(i) Profit-linked deductions being availed by SEZ developers before the date of enforcement of DTC to be protected.

(ii) Profit-linked deductions for the unexpired period not to be protected.

(iii) Minimum Alternate Tax (MAT) to be levied on SEZ developers as well as SEZ units.

(iv) Investment-linked incentives in place of the existing profit-linked incentives for developers of SEZs commencing operations after the date of enforcement of the DTC.

A number of inputs on these proposals were received which have been examined and the major issues on which various stakeholders have given their views have been identified. These issues have been addressed in the form of a Revised Discussion Paper on DTC which was released on 15-06-2010. The revised Discussion Paper on DTC has further proposed that for SEZ units beginning operation before the date of enforcement of the DTC, profit-linked deduction for the unexpired period would also be protected.