

**GOVERNMENT OF INDIA  
COMMERCE AND INDUSTRY  
LOK SABHA**

STARRED QUESTION NO:87

ANSWERED ON:28.11.2011

REVIEW OF SEZ POLICY

Kateel Shri Nalin Kumar;Mahtab Shri Bhartruhari

**Will the Minister of COMMERCE AND INDUSTRY be pleased to state:**

- (a) whether any shortcomings have been reported in the current Special Economic Zone (SEZ) policy resulting in huge revenue losses to the Government;
- (b) if so, whether the Government has any proposal to revamp the policy including amendments in the relevant law and/or procedures thereon;
- (c) if so, the details thereof;
- (d) whether certain SEZs have been violating law/laid down procedures and are allegedly selling the majority of their products within the country rather than exporting them; and
- (e) if so, the details thereof and the action taken by the Government in this regard?

**Answer**

MINISTER OF COMMERCE AND INDUSTRY (SHRI ANAND SHARMA)

(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. 87 FOR ANSWER ON 28TH NOVEMBER 2011 REGARDING "REVIEW OF SEZ POLICY"

(a): The fiscal concessions and duty benefits allowed to SEZs are in built into the SEZ 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.

(b): Analytical assessment and reform of Govt. schemes is implicit to public policy. The SEZ growth pattern since enactment of the SEZ Act, 2005 has provided an opportunity for evaluation of issues like boosting the manufacturing sector in India, geographical distribution of SEZs in the country, sectoral dispersal of SEZs etc.

(c): On the basis of an examination of inputs received from stakeholders and the working of the SEZ scheme, SEZ rules and procedures are reviewed from time to time to facilitate the speedy and effective implementation and operation of SEZ projects.

(d): The SEZ units are under obligation to achieve positive Net Foreign Exchange (NFE) earnings to be calculated cumulatively for a period of 5 years from the commencement of production, failing which the units shall be liable for penal action under the provisions of the Foreign Trade (Development and Regulation) Act, 1992. However no export targets are set for Special Economic Zones (SEZs). The SEZ Act, 2005 provides for domestic clearance by units in SEZ on payment of chargeable duties of customs including Anti-dumping, Countervailing and safeguard duties under the Customs Tariff Act, 1975 where applicable, as leviable on such goods when imported. The figures of exports by SEZs for the year 2010-11 clearly show that about 88% of turnover of SEZ is constituted by exports out of India. During this period about 12% of the total turnover was accounted for by domestic supplies made by SEZs of which 4% of the turnover was not counted for NFE purposes.

(e): The Approval Committees under the Development Commissioners constituted for all Zones, which comprise representatives from Customs, Income-tax, State Governments etc. have been directed to monitor the performance of the SEZ Units on the basis of Annual Performance Report duly certified by an independent Chartered Accountant.