

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

STARRED QUESTION NO:178

ANSWERED ON:19.08.2013

CONCESSIONS FOR SEZs

Bajirao Shri Patil Padamsinha ;Bali Ram Dr.

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

- (a) the details of the tax concessions and other related benefits provided to the units located in the Special Economic Zones (SEZs);
- (b) whether the Government proposes to expand tax relief for the SEZs and if so, the details thereof and the reasons therefor along with the steps taken by the Government to ensure maximum investment in the SEZs;
- (c) whether any shortcomings have been reported in the current SEZ policy and if so, the details thereof;
- (d) whether the Government has any proposal to revamp the policy including amendments in the relevant law and procedures thereon and if so, the details thereof; and
- (e) whether there are instances of certain SEZs violating law/laid down procedures and are allegedly selling the majority of their products within the country rather than exporting them and 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. 178 FOR ANSWER ON 19TH AUGUST, 2013 REGARDING "CONCESSIONS FOR SEZs"

(a): The fiscal concessions and duty benefits allowed to Special Economic Zones (SEZs) are inbuilt into the SEZs Act, 2005 and Rules thereunder. These exemptions are uniformly applicable to all SEZs and are in the nature of incentives for export and are consistent with the principles that guide export promotion initiatives of the Government in general. The incentives and facilities offered to the units in SEZs for attracting investments into the SEZs are as under:-

1. Duty free import/domestic procurement of goods for development, operation and maintenance of SEZs and SEZ units
2. 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
3. Exemption from Central Sales Tax.
4. Exemption from Service Tax.
5. Exemption from State sales tax and other levies as extended by the respective State Governments.

(b) No Madam there is no such proposal to expand the tax relief under direct / indirect tax laws, at present.

(c)&(d): The Government, on the basis of inputs/suggestions received from stakeholders on the policy and operational framework of the SEZ Scheme, periodically reviews the policy and operational framework of SEZs and takes necessary measures so as to facilitate speedy and effective implementation of SEZs as also to promote investment in SEZs thereby augmenting growth of employment and SEZ exports. In order to address the challenges being faced by SEZs, including difficulty in availability of vacant, contiguous land for setting up SEZs, inflexibilities in definition of Sector leading to non-optimal utilization of land etc, certain amendments have been carried out recently in the SEZ Rules,2006, with the objective of making the operational framework of SEZs more investors' friendly.

(e): As per Rule 53 of SEZ Rules 2006 the SEZ units are under an obligation to achieve positive Net Foreign Exchange (NFE) earnings to be calculated cumulatively for a period of 5 years from the commencement of production. Under Rule 53 certain categories of sales/supplies have also been permitted to be counted towards NFE earnings. Value of transactions under such categories is a very small percentage of the total exports made from SEZs. The total exports from the SEZs outside the country and sales to Domestic Tariff Area from SEZs, during the financial years 2009-10 to 2012-13 and first quarter of current financial year

(April, 2013 – June, 2013) are as under:

Financial Years	Value of Exports	Sales to Domestic Tariff Area	Total Turnover	Percentage share of DTA Sales to Total
	Turnover (Value in Rs. Crore)			
2009-10	2,20,711	33,138	2,53,849	13.05%
2010-11	3,15,868	42,974	3,58,879	11.97%
2011-12	3,64,478	62,138	4,26,615	14.57%
2012-13	4,76,159	55,430	5,31,589	10.43%
2013-14#	1,13,299	15,538	1,28,836	12.06%

# April, 2013 – June, 2013

An amount of Rs Rs.2,60,252.42 Crores has been invested in SEZs so far and SEZs today employ 11.35 lakh persons.

Further, the Approval Committees under the respective Development Commissioners constituted for each Zone, which comprise representatives from Departments of Customs and Income-tax, State Governments etc. monitor the performance of the SEZ Units. Such monitoring includes scrutiny of Annual Performance Report (APR), Quarterly Performance Report (QPR) and details of rent recovery furnished by the SEZ units. Failure to meet the requirements of the scheme or any violation of its provisions attracts action under Foreign Trade (Development and Regulation) Act, 1992.