

UNIT 11 – BANKING - Special Economic Zone

This policy intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations.

India was **one of the first in Asia to recognize** the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with **Asia's first EPZ set up in Kandla in 1965**. With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000.

Facilities and Incentives offered to the SEZs

The incentives and facilities offered to the units in SEZs for attracting investments into the SEZs, including foreign investment include:-

- Duty **free import/domestic procurement** of goods for development, operation and maintenance of SEZ units
- **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.
- Exemption from minimum **alternate tax**
- External commercial borrowing by **SEZ units upto US \$ 500 million** in a year without any maturity restriction through recognized banking channels.
- Exemption from **Central Sales Tax**.
- Exemption from **Service Tax**.
- Single window clearance for **Central and State level approvals**.
- Exemption from State sales tax and other levies as extended by the respective State Governments.

Types

The term special economic zone can also include:

Free trade zones (FTZ)

Export processing zones (EPZ)

Free zones/ Free economic zones (FZ/ FEZ)

Industrial parks/ industrial estates (IE)

Free ports

Bonded logistics parks (BLP)
Urban enterprise zones

Objective

The Government of India announced the introduction of Special Economic Zones in April 2000 to achieve the following objectives:

Generation of **additional economic** activity

promotion of **exports of goods and services**

Promotion of **investment from domestic and foreign sources**

Creation of employment opportunities

Development of infrastructure facilities



Administrative Set Up

The functioning of the SEZs is governed by a **three tier administrative set up**. The Board of Approval is the apex body and is headed by the Secretary, Department of Commerce. The Approval Committee at the Zone level deals with approval of units in the SEZs and other related issues. Each Zone is headed by a Development Commissioner, who is ex-officio chairperson of the Approval Committee

FDI Policy on SEZ

FDI up to **100% is allowed** through the automatic route for all manufacturing activities in Special Economic Zones (SEZs), except for the following activities:

Arms and ammunition, explosives and allied items of defence equipment, defence aircraft and warships

Atomic substances

Narcotics and psychotropic substances and hazardous chemicals

Distillation and brewing of alcoholic drinks

Cigarettes/cigars and manufactured tobacco substitutes
Sectoral norm as notified by Government shall apply to foreign investment in services

Important SEZs in INDIA

1. Kandla Special Economic Zone Kandla, Gujarat
2. SEEPZ Special Economic Zone Mumbai, Maharashtra
3. Noida Special Economic Zone Uttar Pradesh
4. MEPZ Special Economic Zone Chennai, Tamil Nadu
5. Cochin Special Economic Zone Cochin, Kerala
6. Falta Special Economic Zone Falta, West Bengal
7. Visakhapatnam SEZ Vishakhapatnam, Andhra Pradesh

