

Development of Enterprise and Service Hubs (DESH) Bill

July 7, 2022

In news—The government is planning to table the Development of Enterprise and Service Hubs (DESH) Bill in the monsoon session of the Parliament, which will **overhaul the special economic zones (SEZ) legislation.**

Key features of the DESH Bill-

- **The bill seeks to expand the ambit of the SEZs to make them WTO-compliant and perform roles** that go beyond export-orientation.
- **It aims to set up 'development hubs' for promoting economic activity, generating employment,** integrating with global supply and value chains and maintaining manufacturing and export competitiveness, developing infrastructure facilities, promoting investments, including in research and development (R&D). **Such hubs will also include existing SEZs.**
- **The proposed legislation, drafted by the commerce and industry ministry, also seeks to emphasise on promoting not only manufacturing but trading and services too.**
- **In SEZs, only specified services such as IT, ITeS are allowed. But now all services in alignment with GST laws will be allowed,** which include liaison offices as well.
- **The Bill is the outcome of proposals made by an expert committee headed by Bharat Forge Chairman Baba Kalyan.**
- **It does not seek to make it mandatory for the SEZs to have positive net foreign exchange earnings. It seeks to focus on single-window clearances.**
- **According to the draft Bill, there will also not be any requirement to have specific demarcation for trading and warehousing activities.**
- **While there won't be any direct tax benefits as was**

- given to SEZs** which ran into trouble with WTO norms, some indirect tax benefits would be there.
- **They would be allowed to sell in the domestic market with duties to be paid** only on imported raw materials and inputs instead of final products.
 - DESH bill also **provides for an online single-window portal** for the grant of time-bound approvals for establishing and operating the hubs.
 - **These development hubs can be set up by the Centre or state, or jointly by them or by any manufacturer of goods and services.**
 - **A key differentiator between new and the old law is that under DESH, hubs will allow units to make optimal use of their idle infrastructure** by delivering services to customers in India instead of just focusing on exports, as was the case earlier.

Note-

- The SEZ Act was passed by Parliament in 2005, with export promotion as a key objective.
- **The aim was to develop these zones as strategic instruments** to encourage investments, create employment opportunities and build quality infrastructure.
- Economic regulations in such zones were **set up in a way to attract foreign direct investment.**
- Therefore, businesses in SEZs were given several economic advantages such as lower tariff and tax incentives.
- However, **several direct tax benefits provided to SEZs were withdrawn gradually.**
- **This resulted in lower investments due to lack of policy stability.**
- Therefore, the **government decided to come up with a new law earlier this year, to replace the existing Act.**