

# Development of Enterprise and Service Hubs (DESH) Bill

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**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.**