

Special Economic zones (SEZs)

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In news

Recently, Special Economic Zones touched new heights in terms of performance in Exports, Investment and Employment.

Performance of SEZs

SEZs have touched new heights in terms of performance in Exports, Investment and Employment viz.

- Exports of Rs. 22,840 Crore in 2005-06 has increased to Rs. 7,59,524 Crore in 2020-21.
- Investment of Rs. 4,035.51 Crore in 2005-06 has increased to Rs. 6,17,499 Crore (cumulative basis) by 2020-21 and
- Employment provided to 1,34,704 persons in 2005-06 has increased to 23,58,136 persons (cumulative basis) in 2020-21.

What is a Special Economic Zone (SEZ)?

- SEZ is a specifically **delineated duty-free enclave** and shall be deemed to be foreign territory for the purposes of trade operations and duties and tariffs.
- In other words, **SEZ is a geographical region that has economic laws different from a country's typical economic laws.**

More about Special Economic Zones(SEZs)

- SEZs were **set up under SEZ act 2005.**
- **SEZs policy was launched in April, 2000.**
- 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.
- The **prime objective was** to enhance foreign investment and provide an internationally competitive and hassle free environment for exports.
 - SEZs have access to **duty-free imports** of manufacturing inputs because technically they are considered to be outside of the country's domestic tariff area.
 - The fiscal concessions and duty benefits allowed to SEZs are inbuilt into the SEZ Act, 2005 and are consistent with the guidelines for setting up SEZs as the larger economic initiatives of the Government in general.
 - However, there is no provision to grant additional fiscal incentives at present.

Administrative set up of SEZs

- 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.

The salient features of the SEZ scheme are:

- A designated duty free enclave to be treated as a territory outside the customs territory of India for the purpose of authorised operations in the SEZ.
- **No licence required for import.**
- Manufacturing or service activities allowed.
- The Unit shall achieve Positive Net Foreign Exchange to be calculated cumulatively for a period of five years from the commencement of production.
- Domestic sales are subject to full customs duty and

import policy in force.

- SEZ units will have freedom for subcontracting.
- No routine examination by customs authorities of export/import cargo.
- SEZ Developers /Co-Developers and Units enjoy tax benefits as prescribed in the SEZs Act, 2005.

The Special Economic Zones Act, 2005

- After extensive consultations, the SEZ Act, 2005, supported by SEZ Rules, came into effect on 10th February, 2006.
- It provides for drastic simplification of procedures and for single window clearance on matters relating to central as well as state governments.
- The SEZ Act 2005 envisages a key role for the State Governments in Export Promotion and creation of related infrastructure.

The main objectives of the SEZ scheme are:

- 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.