

SEZ recast may allow domestic suppliers to operate within zones

The proposed new legislation to govern Special Economic Zones (SEZs) is likely to allow domestic suppliers to operate within such zones as the government works to remove their export focus and make them compliant with World Trade Organization norms, officials said.

At present, companies selling products in domestic markets cannot operate in SEZs.

Officials said the sales and procurement transactions done by SEZ units in domestic tariff area (DTA), which are done through a separate mechanism, will also be integrated with the customs' e-filing portal. "The idea is to take the export focus away from SEZs and make them WTO-compliant," one of the officials said.

Consultations are on to allow DTA units to operate in SEZs and be allowed to sell in the domestic market, the person said, adding that SEZ developers are keen as many have vacant space and don't want to denotify their land because of non-usage.

At present, about 20,000 hectares of SEZ land and about 10 crore sq feet of built-up area is vacant in SEZs.

However, the revenue department has raised concerns at the difficulty in monitoring the activities of DTA units in SEZs.

"There are concerns about maintaining the sanctity of SEZs if the domestic activities are done within the same area," a second official said.

The consultations are also looking at inclusion of states' IT parks and industrial parks in SEZs.

At present, SEZs have demarcated areas even in industrial zones. The geographical separation is a subject of deliberations, officials said.

Commerce secretary BVR Subrahmanyam on Wednesday said SEZs will manufacture both for international and domestic markets, and that a single-window clearance system and world-class infrastructure will be key points in the new legislation.

"There is a need to move beyond the SEZ Act," Subrahmanyam said in a media interaction. "Finance minister talked of development of enterprise and service hubs

(Desh), which is nothing but SEZ 2.0." The SEZ Act will be recast to bring this system into place and in the next few months, the contours of the new law will be ready.

The government is thinking to have states also bring their estates onto this system so that the single-window clearance is for both the Centre and states, he said. "To do that, we may put states on the approval bodies at the state or regional level."

Currently, SEZs account for 20% of India's mechanise exports.

Source: The Economic Times