

SEZ revamp bill to provide clarity on taxes, incentives

The revamp of Special Economic Zones (SEZs) through the Development of Enterprise and Service Hubs (DESH) Bill will come with a fiscal package, including a possible freeze on direct taxes at 15% for units and hubs until 2032 in case of greenfield and brownfield investment. The plan envisages deferment of basic customs duty and Integrated GST (IGST) on imported raw material. In case of exports, IGST may be waived but sales to the domestic tariff area will require an exporter to pay basic customs duty on the raw material and IGST on the finished products. States will have the option to offer incentives, officials said.

The revamp comes nearly two decades after SEZs were announced, with new zones coming to a standstill after tax concessions were withdrawn more than a decade ago.

As part of the revamp, the commerce department is looking at creating mega manufacturing and services hubs but is seeking to replace the net foreign exchange earnings criteria with “net positive growth”, which will be a mix of parameters, including economic activity and employment. Net foreign exchange earnings, which was the basic parameter for classification as an SEZ, is not seen to be compliant with WTO norms.

While retaining the concept of “bounded zones”, which are treated like foreign territory for customs purposes, the commerce department is seeking to provide flexibility in movement of goods and personnel.

Government sources said the proposed legislation, scheduled to be introduced in the current session of Parliament, seeks to build on revenue department’s Manufacture and Other Operations in Warehouse Regulations, with focus on easing rules and compliances, single window clearances and providing autonomy to local authorities.

Existing industrial parks may also be included within the scope, which will include sectors such as food, pharma and textiles. To provide easier entry, a concept of pre-cleared zones for certain sectors is planned, with units in these zones also getting “deemed clearances” from central and state agencies.

Source: Times of India