

SCHEME TO DEVELOP, OPERATE and MAINTAIN SPECIAL ECONOMIC ZONES

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SCHEME TO DEVELOP, OPERATE and MAINTAIN SPECIAL ECONOMIC ZONES

In exercise of the powers conferred under section 80-IA of the Income-tax Act, 1961 (43 of 1961), read with sub-rule (2) of rule 18C of the Income-tax Rules, 1962, the Central Government hereby makes the following scheme to develop, operate and maintain Special Economic Zones for the period beginning on the 1st day of April, 2001 for the Zones develop on or before 31-3-2006.

1. Objectives of the Scheme :-

(a) The Scheme shall aim at development of integrated world class infra-structure for exports including carrying out manufacture of goods, rendering of services or in connection therewith and would include industrial, commercial and social infrastructure. Components of a Special Economic Zone shall include roads, airports, ports, transport system, generation and distribution of power, telecom, hospitals, hotels, educational institutions, leisure and entertainment units, residential/industrial/commercial complexes, water supply sanitation and sewerage system and any other facility required for development of the Zone.

(b) Special Economic Zones may be developed and managed in the private sector or jointly by State Government and a private agency or exclusively by the State Government or their agencies. In the case of privately developed zones, the investors could be either Indian individuals, NRIs, Indian or foreign companies.

(c) New infrastructural development works such as construction of

Standard Design Factory Building, etc., may also be undertaken through private/joint/ State sector in the Export Processing Zones (EPZ) converted into Special Economic Zones.

2. Criteria for approval :-

Proposals for setting up Special Economic Zone (SEZ) in the public/private/ State sector are required to meet the following conditions :

(i) Minimum size of the SEZ shall not be less than 1000 hectares. This would, however, not apply to existing EPZs conveying into SEZs as such or for notifying additional area as a part of such SEZ or to product specific SEZs.

(ii) The SEZ and units therein shall abide by local laws, rules, regulations or bye-laws in regard to area planning, sewerage disposal, pollution control and the like. They shall also comply with industrial and labour laws and such other laws/rules and regulations as may be locally applicable.

(iii) Such SEZ shall make adequate arrangements to fulfil all the requirements of the laws, rules and procedures applicable to such SEZ.

(iv) Only units approved under the SEZ Scheme would be permitted to be located in these SEZs. At least 25% area of the SEZ shall be used for developing industrial area for setting up of such units.

(v) The predominant objective of development of a SEZ would be to create infrastructure which would facilitate setting up of industrial area for units therein as indicated in the sub-para (iv) above.

3. Procedure for approval :-

3.1 Applications (10 copies) indicating the name and address of the applicant, status of the promoter (whether individual/private company/State Government, NRIs, etc.) along with a project report covering the following particulars shall be submitted to the Chief Secretary of the State :

(i) Location of the proposed zone with details of existing and proposed infrastructure.

(ii) Area of the proposed SEZ and its area distance from the nearest

Sea Port/Airport/Rail/Road head etc.

(iii) Financial details including investment proposed, mode of financing the project and viability of the project.

(iv) Details of foreign equity and repatriation of dividends, etc., if any.

(v) Whether the zone will allow only certain specific industries or will be a multi-product zone.

3.2 The State Government shall, forward it along with their commitment to the following, to the Department of Commerce, Government of India :

(i) The area incorporated in the proposed SEZ is free from environmental prohibition.

(ii) Water, electricity and other services would be provided as required.

(iii) Full exemption in electricity duty and tax on sale of electricity for self-generated and purchased power.

(iv) To allow generation, transmission and distribution of power within SEZ.

(v) Exemption from State Sales Tax, octroi, mandi tax, turnover tax and taxes, duty, Cess, levies on supply of goods from Domestic Tariff Area to SEZ units.

(vi) For units inside the Zone, the powers under the Industrial Disputes Act and other related Acts would be delegated to the Development Commissioner.

(vii) The Zone will be declared as a Public Utility Service under Industrial Disputes Act.

(viii) Single point clearances system would be provided to the units in the Zone under State Laws/Rules.

3.3 The proposal incorporating the commitments of the State Government shall be considered by the Board of Approval (BOA) as notified vide Notification No. 14/1/2001- EPZ dated 7th August, 2001.

3.4 On acceptance of the proposal by the BOA, the Department of Commerce will issue a letter of permission to the applicant ;

hereafter referred to as "developer".

3.5 Developer could undertake activities required for the development of the zone as per the approval granted by BOA. Other entities, as approved by the BOA, may also undertake approved development activities of the SEZ provided that commercial, residential and recreational facilities shall be approved only if the developer has at least 26% equity in such entities.

3.6 In case of converted EPZ into SEZ approval for development of requirements in infrastructure will have to be obtained from BOA on case-to-case basis. Para 3.5 shall mutatis mutandis apply to creation of new infrastructure in the converted SEZs.

4. General conditions :-

(1) The undertaking applying for approval shall undertake to continue to operate under the SEZ Scheme during the period in which benefits under section 80-IA of the Income-tax Act are to be availed.

(2) The Central Government may withdraw the approval given to an undertaking for setting up of SEZ if the undertaking fails to comply with any of the conditions of approval.

5. Agreement with Central Government :-

The letter of permission issued by the Government of India (Department of Commerce) to the developer for setting up of Special Economic Zone shall be treated as 'Agreement' for availing exemption under section 80-IA of the Income-tax Act.