

EPCES NEWS

Volume 15

APRIL - OCTOBER 2019

FUTURE OF SEZs AFTER 2020



Fact Sheet on Special Economic Zones

(Dedicated website: www.sezindia.nic.in)

Number of Formal approvals (As on 14.11.2019)	417				
Number of notified SEZs (As on 14.11.2019)	349+(7 Central Govt. + 12 State/Pvt. SEZs)				
Number of In-Principle Approvals (As on 14.11.2019)	33				
Operational SEZs (As on 30th September, 2019)	238 (Break up: 25 are multi product SEZs, remaining are sector specific SEZs)				
Units approved in SEZs (As on 30th September, 2019)	5168				
Land for SEZs (As on 14.11.2019)	7 Central Govt + 11 State/Pvt. SEZs notified before SEZ Act. 2005	Notified SEZs under the SEZ Act, 2005	Total Notified SEZs Area (1+2)	Formally Approved SEZs (417-349)	Total Area (3+4)
	(1)	(2)	(3)	(4)	(5)
	2245.33 Ha	40301.82 Ha	42547.15 Ha	5506.38 Ha	48053.53 Ha
	Land is a State subject land for SEZs is procured as per the policy and procedures of the respective State Governments				
Investment	Investment (As on February, 2005)	Incremental Investment	Total Investment (As on 30th September, 2019)		
Central Government SEZs	Rs. 2,279.20 cr.	Rs. 17,162.04 cr	Rs. 19,441.24 cr		
State/Pvt. SEZs set up before 2006	Rs. 1,756.31 cr	Rs. 11,676.84 cr	Rs. 13,433.15 cr		
SEZs Notified under the Act	–	Rs. 4,88,757.05 cr	Rs. 4,88,757.05 cr		
Total	Rs. 4,035.51 cr	Rs. 5,17,595.93 cr	Rs. 5,21,631.44 cr.		
Employment	Employment (As on February, 2006)	Incremental Employment	Total Employment (As on 30th September, 2019)		
Central Government SEZs	1,22,236 persons	1,04,872 persons	2,27,108 persons		
State/Pvt. SEZs set up before 2006	12,468 persons	93,694 persons	1,06,162 persons		
SEZs Notified under the Act	0 persons	18,61,202 persons	18,61,202 persons		
Total	1,34,704 persons	20,59,768 persons	21,94,472 persons		
Exports in 2017-18 DTA Sale (Deemed exports) DTA Sale (Not Counted for+ve NFE)	Rs. 5,81,033 Crore (Growth of 11% over Fy 2016-17) Rs. 19,125 Crore (3% of total production) Rs. 1,04,097 Crore (15% of total production)				
Exports in 2018-19 DTA Sale (Deemed exports) DTA Sale (Not Counted for+ve NFE)	Rs. 7,01,179 Crore (Growth of 21% over Fy 2017-18) Rs. 19,908 Crore (2% of total production) Rs. 1,01,866 Crore (12% of total production)				
Exports in 2019-20 (As on 30th September,2019) DTA Sale (Deemed exports) DTA Sale (Not Counted for+ve NFE)	Rs. 3,81,912 Crore (Growth of 14.46% over the exports of the corresponding period of Fy 2018-19) Rs. 11,934 Crore (3% of total production) Rs. 64,069 Crore (14% of total production)				

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A quarterly Newsletter by Export
Promotion Council for EOUs & SEZs
(Ministry of Commerce and Industry,
Government of India)

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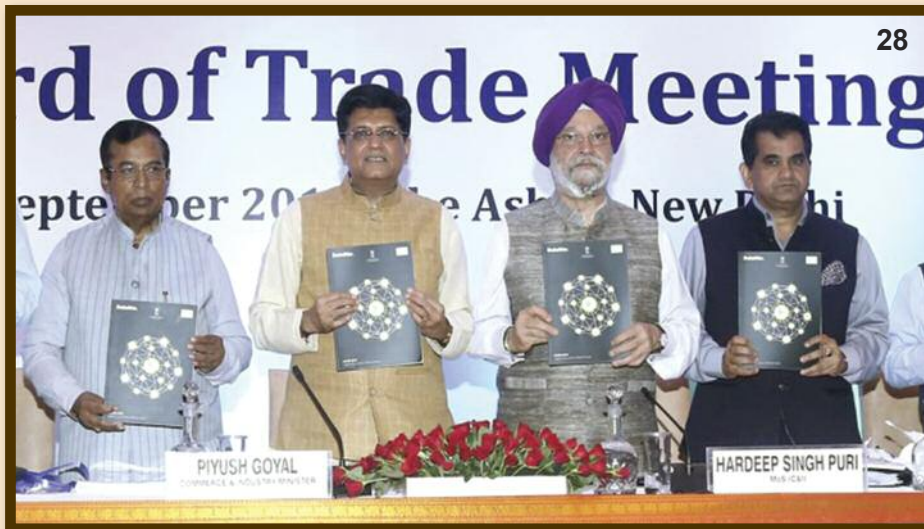
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T.V. Ravi
Director General, EPCES

Dear Members,

It gives me immense pleasure to present this issue of EPCES Export News for the period April-October 2019. You may be aware that during this period the Central Government deputed a senior Government official as Administrator of EPCES in order to conduct elections of EPCES Central and Regional Governing Council as well as that of Vice Chairman, EPCES for 2018-2020. Accordingly elections of the EPCES Central Governing Council and Regional Governing Councils for the period 2018-20 were conducted and the new Central Governing Council (CGC) was constituted, and Vice Chairman, EPCES for the period 2018-20 was elected. The same was communicated to all EPCES members.

After the constitution of EPCES CGC, EPCES initiated a number of activities for promotion of exports from EOU and SEZ sectors. EPCES convened AGM for the year 2017-18 and 2018-19 to clear the backlog. Online RCMC portal is now active and members for the year 2019-20 can download their RCMC online. For smooth functioning of the Council, EPCES also created various panels.

Apart from these administrative issues, an Interactive session of EOUs and SEZs with banks and ECGC was arranged in Noida SEZ on 3rd September, 2019. Development Commissioner Noida SEZ, chaired the session. EPCES delegation met Member (GST) and Principal Commissioner (GST) on 6.9.2019 to discuss the issue of clarification on GST payment on DTA supply by SEZ units, whether TR6 or GSTN Portal. It was requested to issue guidelines that the MEIS scrip can be sold by SEZ units without filing Bill of Entry. The exemption can be given to SEZ unit from 10% custom duty on sale of MEIS script. An EPCES delegation met Shri Rajkumar Barthwal, Member (Customs), on 6.9.2019 to discuss some important issues related to Customs policy and procedure.

Meeting of panel on Legal and Policy matters was convened on 10.9.2019 in New Delhi to discuss the current important issues faced by the EOUs and SEZs, to find the way out and to plan and strategise on going forward on the current issues being faced by EOUs and SEZs in the country. EPCES was represented in the Board of Trade meeting held on 12.9.2019. In this meeting EPCES submitted major issues of EOUs and SEZs, viz. extension of proposed sunset clause for SEZs, extending zero rated supply to EOUs under GST regime apart from other procedural issues. An Interactive session on "Future of SEZs after 2020" was arranged in association with Moon Group of Companies on 13.9.2019 at Bengaluru. EPCES delegation met Shri Bidyut Behari Swain, Additional Secretary, Commerce, on 19.9.2019 to discuss the issue of use of existing built up infrastructure of SEZ unit for more than one LOA for different product lines.

An Interactive Session on "Future of SEZs after 2020" was arranged in association with Moon Group of Companies on 10.10.2019 at Gurgaon under the Chairmanship of Zonal Development Commissioner Noida SEZ. Interactive Session with EOUs and SEZs was held on 11.10.2019 under the Chairmanship of Zonal Development Commissioner Noida SEZ at New Delhi. EPCES convened an interactive session with Zonal Development Commissioner Cochin SEZ at Bengaluru on 30.10.2019 to discuss the zone level issues of EOUs and SEZs. EPCES intends to participate in trade fairs/BSM abroad in the near future.

I request members to actively participate in the activities of the Council and provide your valuable input and suggestions to strengthen it for making it a real effective platform for EOUs and SEZs, as well as SEZ Developers.

T.V. Ravi
Director General, EPCES



I request members to actively participate in the activities of the Council and provide your valuable input and suggestions to strengthen it for making it a real effective platform for EOUs and SEZs, as well as SEZ Developers





Bhuvnesh Seth
Vice Chairman, EPCES

Dear Exporter Friends,

I am glad to inform you that I have taken charge as Vice Chairman, EPCES, for the period 2018-20. I am thankful to all of you for bestowing confidence in me to carry out the duties of Vice Chairman, EPCES. I am confident that newly elected members of Central Governing Council and Regional Governing Councils will work together with renewed energy for accelerating exports, attracting investment and generating employment through the EOU/SEZ community.

I am glad to inform you that I had been given an opportunity to represent the EPCES at the Board of Trade meeting held on 12th September, 2019 in New Delhi. Shri Piyush Goyal, Hon'ble Union Minister for Commerce & Industry, chaired the session. On behalf of EPCES, I have highlighted the issues of EOUs and SEZs in the Board of Trade Meeting. The meeting was also attended by Shri Hardeep Singh Puri, Hon'ble Minister of State for Commerce & Industry, and Shri Som Parkash, Hon'ble Minister of State for Commerce & Industry, Dr. Anup Wadhawan, Commerce Secretary, Shri Amitabh Kant, CEO, NITI Aayog, Dr. Guruprasad Mohapatra, Secretary Department for Promotion of Industry and Internal Trade (DPIIT), Shri Alok Vardhan Chaturvedi, Director General of Foreign Trade. The issues of EOUs and SEZs have been published in EPCES News.

As you know that EPCES has been continuously publishing EPCES News, but of late there has been a gap between the issues. I am glad to inform you that EPCES Annual General Meeting for the year 2017-18 was held on 29.08.2019 and Annual General Meeting for the year 2018-19 was held on 27.09.2019.

As you may be aware that EPCES organizes various Interactive Sessions/ Open Houses/Workshops, etc., so that issues of EOUs and SEZs are resolved. Recently EPCES, in association with ECGC on 03.09.2019, PHDCCI on 11.10.2019, organized interactive sessions of EOUs and SEZs. EPCES also organized an Interactive Session and Panel Discussion on "Future of SEZs after 2020" on 12.09.2019 at Bengaluru and on 10.10.2019 at Gurugram.

I compliment the office of the Director General of Foreign Trade (DGFT) to authorize EPCES to issue RCMC to EOUs vide DGFT Public Notice No. 27 dated 26.8.2019. Ministry of Commerce & Industry has already authorized EPCES to issue RCMC for SEZ units, SEZ developers and Co-developers vide Gazette Notification dated 5.8.2016. I request all the operational EOUs and SEZs units to enroll with the Council so that their issues may be taken up with Government departments in an effective manner.

In conclusion, I'd like to express my sincere gratitude to Shri Piyush Goyal, Hon'ble Union Minister for Commerce & Industry and Railways, Dr. Anup Wadhawan, Commerce Secretary, Shri Alok Vardhan Chaturvedi, Director General of Foreign Trade, Shri Bidyut Behari Swain, Additional Secretary Commerce, Shri Senthil Nathan, Deputy Secretary (EOU/SEZ) and all the Development Commissioners, senior officials of CBIC, DG (EP), DG GST, RBI, etc. for providing their guidance and assistance in resolving the issues of EOUs and SEZs.

A handwritten signature in black ink, appearing to read 'Bhuvnesh Seth', written in a cursive style.

Bhuvnesh Seth
Vice Chairman, EPCES



I request all the operational EOUs and SEZs units to enroll with the Council so that their issues may be taken up with Government departments in an effective manner



CURRENT SEZ SCENARIO, CHALLENGES AND FUTURE STRATEGY



Mr Ratan Moondra

By Ratan Moondra

India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in 1965. With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced 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. SEZs in India functioned from 1.11.2000 to 09.02.2006 under the provisions of the Foreign Trade Policy and fiscal incentives were made effective through the provisions of relevant statutes.

The main objectives of the SEZ Act are:

1. Generation of additional economic activity;
2. Promotion of exports of goods and services;
3. Promotion of investment from domestic and foreign sources;
4. Creation of employment opportunities;
5. Development of infrastructure facilities.

Having said that, there are many challenges which are posed before SEZ stakeholders due to frequent changes in taxation and other policies over last couple of years.

Sunset clause: During Union Budget 2016, it was proposed that all units that start their commercial operations after 01.04.2020 will not be getting Income Tax benefit under section 10AA.

This is a huge deterrent to investment and employment objectives of SEZ Policy as it is very difficult for manufacturing units to start operations by that date as there are numerous other permissions also which are required and much time consuming;

- (i) Building Plan Approvals;
- (ii) Consent to establish;
- (iii) Environmental clearance;
- (iv) Consent to operate;
- (v) Building construction completion certificate;

Considering this, if units are not able to start operations by 31.03.2020 in such case there is no attractive benefits which are available to units for moving into SEZ.

Single Window clearance: Though SEZ policy aims to provide for single window clearance to provide all permission under one roof and thereby providing for ease of doing business to investors. However, in reality it is not happening as the investors needs to run around to different department for getting permission which leads to huge delay in implementation of project and cost too. Success depends on the business facilitation measures adopted. Location, infrastructure, logistics and professional zone management are four key factors determining success of SEZs.”

Absence of external infrastructure support: The SEZs have to be connected with ports and airports with world-class roads and rail; ports and airports, too, have to be world-class, with Customs authorities adopting international best practices in trade facilitation. This is not the case at present. Deficiencies in the availability and quality of power are an equally important constraint.

Approval process for SEZ set up is very lengthy as permissions are required from multiple authorities. Entire process takes almost 9 months causing delay in commencement of operations. The investors & units have to again approach multiple authorities to get information as well approvals.

Sharing of Infrastructure and Dual Use of Processing Area: It should be noted that infrastructure created for Export Production should be allowed to be used for Domestic Supply

also, considering the focus on 'Employment' relevant to encourage domestic industry in surplus area of the processing zone. This would ensure optimum utilization of infrastructure created for that zone and Investor or Manufacturer can consolidate their production in Once Zone. DTA manufactures/traders can avail concessional duty benefit under FTA as against procurement from SEZ where no such benefit is available.

Opportunity for Policy maker to take advantage of the challenges Due to Sunset Clause from 1.4.2020 in SEZ sector:-

Fiscal Benefits for International Competitiveness

1. India has signed a number of free trade agreements (FTAs), with countries such as Sri Lanka, Japan and the Association of Southeast Asian Nations (Asian), under which import duties have been slashed to zero for several product lines. This impacts local sales of SEZ units, which are taxed at higher rates. Manufacturers in India should have the 'most favoured nation' status that implies lowest tariff under the FTAs., such reductions should be extended to SEZs because 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. But, with India signing free-trade agreements with countries where duties on many products are eliminated or reduced substantially, the advantage accruing to SEZs was negated. Such a situation does not arise in other countries since their differential tariff rates are much lower than India.
2. MEIS benefits is specially restricted on supplies made to FTWZ- As goods held in FTWZ are exported outside India, therefore MEIS benefits should be extended on supplies made to FTWZ, subject to final export of goods.
3. Service Export Incentive Scheme (SEIS) for IFSC SEZ units would encourage large institutions to set up base in IFSC SEZ and expand global business & creating employment and export from IFSC SEZs.
4. Concessional custom duty on 50% DTA sale or payment of excise duty on DTA sale. Similar to EOU scheme, 50% sale be allowed as DTA sale on 50% rate of applicable custom duty. OR Domestic sale should be allowed on payment applicable of GST.

Procedural Difficulties

1. Developers are required to take approval from UAC for procurement of goods for undertaking authorized operations. Provisions to be made for such procurement by giving formal intimation instead of approval.
2. Entry points at SEZ to be linked with RFID access points. Units face delay in obtaining ID Cards for the entry to the processing area of the Zone (stipulated section 46 of SEZ Act). Further almost all units particularly, IT/IteS, have their own ID Cards based upon RFID. Hence such cards issued by the Units be accepted as Valid ID.
3. Authorized officer from SEZ should be available on all working days and be exclusively deputed for that particular SEZ.
4. Cancellation of Shipping bill does not lead to the automatic cancellation of EDF form (this form is for monitoring the remittance of goods exported). For its cancellation resulting to pendency of same, units are put in the caution list in the EPDMS of RBI.
5. Requirement to file shipping bill/GR for e-commerce export up to USD 800 should be waived off. Also, value of Jewellery up to USD 800 should not be considered precious as per Courier Import Export Regulations.
6. Retail participation of IFSC SEZ GoI should enable non-resident individual participation in IFSC and offer them service from IFSC SEZ.
7. Government should declare IFSC SEZ as a strategic center for carrying out all inbound & outbound foreign currency transaction.
8. The IFSC entities typically operate through 'web-based' infrastructure, Employees of these units are not restricted to 'concealed' area and are permitted to operate from Outside Zone.
9. With the advancement of remote work-place model such as 'cloud- computing', the concept of Virtual Zones would be a reality.
10. Also provisioning of this remote facility is mandatory for securing the data from hazards of virus attacks and safety from fire and other natural disasters and the same should



be out of SEZ Area.

11. It is proposed that for Non-Resident Participants tax be deducted at source by the intermediary and should not be required to obtain PAN card or file Income Tax return in India. This would promote large participation by nonresident attracting investment.
12. The existing regulation prevents any person earning less than USD 25,000 being liable for a work visa. The corresponding provision should be made by the Government since visas are required only for training purposes, we request the Commerce Ministry to grant permission to the units to bring such Trainers.
13. Amendment in Section 2(z) which is definition of services – the 2(z)(iii) should be removed so that SEZ units will be able to sale the services in DTA in Indian Rs. To avoid the exchange loss and delay in taking foreign currency from Bank and due to that stipulation DTA unit avoid to take services from SEZ Unit.
14. Co Working Space Concept Should be allowed in SEZ to accommodate small IT and IT enabled start up. Infrastructure to be created for services zone is investment intensive. Vacancy of space created by existing units would lead to idle infrastructure and stressed assets monetization through rent. SEZ Units should be allowed to Rent Out their ideal space in the unit to Other prospective investor/Unit and condition of LOI from Developer/Co-developer should be relaxed and requirement of 5 years registered Lease deed for such rented unit should waived and the same is treated complied when complied by main Unit.
15. Dual use of Processing Area: Various closed units have not been able to exit due to pending disposal of assets, the consultation should be done either for revival of such unit as DTA by amending the SEZ Act and Rules or exit from SEZ, so that the space can be used for Production.
16. Idle Capacity & Optimal Utilization of Operational Capacity-Sub-contracting from SEZ to DTA is allowed but on reverse provisions are silent wherein manufacturing SEZ may be permitted to undertake from DTA considering under-utilization of SEZ units, guidelines to undertake work sub-contracting of DTA Goods and Services should be allowed with the condition to resend the same to DTA.
17. Rule 30(8) of SEZ provides that drawback shall be admissible to DTA supplier only if payments for supplies are made from foreign currency. Where goods are supplied by DTA suppliers to the Indian entities operating within FTWZ. Final export from FTWZ will be done in foreign currency. DTA supplier will however will unable to get drawback despite exports from FTWZ.
18. The requirement of Net Foreign Exchange under the SEZ regulation should be exempted for IFSC units regulated by Financial Service Regulator.
19. Relaxation of NFE criteria for certain sectors (oil & gas, defense, electronics, etc.) which would primarily cater domestic market.
20. MROs in SEZs require to invoice domestic airlines in USD rather than INR- Earning foreign exchange should be interpreted as mandatory criteria.
21. Advance Ruling Centers should be created in SEZ which will provide clarity to foreign & Indian institutions on the points related to regulations, tax clarity, disputes resolution mechanism etc.

Administrative and Approval Changes

1. Make a consolidated application at one stop wherein administrations assume the role of facilitator by submitting single application for Formal approval & notification of SEZ.
2. UAC Should be held on Video conferencing no need for physical Meeting and majority of approval should be based on submission of proper data and Online System acknowledgement should be treated as a deemed valid approval. (GST system is using the same for LUT Execution for Export).
3. Monitoring of SEZ Approval and Transaction should be shifted from Approval or Permission based to Audit based.
4. Requirement of Industrial license and its approval should be incorporated in default Approval with LOA no need to take separate approval from the BOA.
5. No manual application should be required from Investor and also should not be accepted. At present every electronic data filed has to be submitted in the hard copy as well. The same should be restricted to electronic and online submission/approval only.
6. All the Communication to Investor should be through E-documents with specific No. such as Income Tax Department has started even BLUT which presently taken on Stamp Paper should be replaced with E-stamp.
7. There is no specific option available in SEZ portal to maintain e-bond registration. It is recommended to have e-bond register option so as to avoid reconciliation issues.
8. GST & SEZ online system should be interlinked such as Icegate (EXIM) has been done for duplication of data entry. The SEZ online system does not provide facility for online payment & manual duty payment is tedious, time taking and costly affair-Integration of SEZ online system with ICEGATE and providing EDI Connectivity in the SEZ. ■

Download EPCES RCMC

Members can successfully access the online membership software and download their RCMC themselves at the below mentioned link

http://www.ntrade.in/EPCES_LIVE/NewLogin.aspx

Henceforth, for new enrolments and renewals for the year 2019-2020 the units will have to login to the online membership system, fill in their units details/data and submit it thereafter, EPCES will approve the same and membership certificate can be downloaded.

Please find below the steps to be followed by the member/exporter for obtaining RCMC Certificate:

Login to https://ntrade.in/EPCES_LIVE/NewLogin/asp

Registration Process i.e.

- a) A login screen appears where members/exporters have to enter their IEC number and the first three letters of the Company Name and Click
- b) A Digital Signature Certificate (DSC) dialog box will appear. Exporters have to attach their respective DSC token on their machine to login to the system.
- c) The Digital Signatures Certificate (DSC) will be mapped with exporter login and the member/exporter have to attach the same token while login into the system every time. (In case you face PKI Component error please install the PKI as per below procedure.

Step 1) Download the component from the link:-

http://www.ntrade.in/EPCES_LIVE/ComponentError.htm

You can download the 32bit component or 64 bit according to your computer settings

Step 2) Run "nCodePKIComponent_Setup_32_bit_java.exe" from the folder

Step 3) If it shows that you do not have JAVA in your system then Install "jre-8u181-windows-i586.exe" from the folder and again install "nCodePKIComponent_Setup_32_bit_java.exe".

Step 4) Login in nTrade and you can view the certificate

- d) Once successfully login, the exporter will be prompted to enter any one option out of the three:
 - i. Add New Member
 - ii. Renewal of Member
 - iii. Renew for same old unit/factory
- e) After filling in the above information and clicking on "Continue" button the system will take the member/exporter to proceed further to enter the required information.

After entering the complete details of your unit and uploading the required documents, the same will be verified and approved by EPCES and thereafter you will receive an email alert that your membership certificate is ready and you may download it.

This will help the members in timely submission of their claims for exemption, concessions and duty drawback from the Government

We hope that you enjoy accessing the new membership software support.

In case you need any information or assistance, kindly contact EPCES Head office

September 13, 2019

FUTURE OF SEZs AFTER 2020

A PANEL DISCUSSION



EPCES in association with Moon SEZ Consultants Pvt. Ltd. organized a Seminar and Panel discussion on Future of SEZs after 2020 on 13th September, 2019 at Bengaluru.

While addressing around 170+ participants Shri Naveen Kushalappa, IRS, Joint Development Commissioner, Cochin SEZ, appreciated the organizing of the seminar and panel discussion, and mentioned that the SEZ scheme has been in operation all over the world. They have been known by various names including Export Processing Zone, Free Trade Zone, Special Economic Zone etc. In India, SEZ scheme was incorporated in the Foreign Trade Policy in the year 2000 and for providing stability and continuity to the scheme, SEZ Act 2005 was enacted.

He further said that after the operationalisation of SEZ Act and Rules in 2006 this sector has performed

exceedingly well in terms of increasing exports, attracting investments, manufacturing, generation of employment and creation of world class infrastructure in the country. It has also lived up to its billing as an instrument of policy that has been catalyzing export growth on a continuous basis.

JDC further mentioned that EOUs and SEZs are performing exceedingly well and are playing a significant role in promoting export from the country.

While welcoming, Shri Bhuvnesh Seth, Vice Chairman, EPCES thanked Shri Kushalappa for sparing his valuable time to chair the session. He further said that office of The Development Commissioner Cochin always supported the cause of EOUs/SEZs/SEZ Developers and has gone to great lengths to help them out. He also thanked Shri Ashish Jhagarawat, Director & CEO of the Moon Group of companies for organizing the Seminar



Shri Bhuvnes Seth, Vice Chairman, EPCES along with members of Panel



Shri Bhuvnes Seth, Vice Chairman EPCES addressing the participants

and Panel discussions in association with EPCES.

He further said that income tax benefits to new SEZ units would be available to only those units which are set up before 31st March, 2020. Now, it is the time to invest/set-up units in SEZ Scheme before 31st March, 2020. The entire SEZ community feels that the sunset clause on SEZs should be extended at least by another 5 years. This will help in generating more employment for the country.

Shri Ratan Moondra, Founder-Director, Moon SEZ Consultants Pvt. Ltd., briefed the participants onto the opportunities available to STPI/SEZ Units keeping in mind the sunset date of 31.03.2020 and how units can avail the opportunity to start commercial operations before that. Mr. Moondra also thanked EPCES for coming up with useful seminars for the SEZ community.

Shri Srikanth Badiga, Director, Phoenix Infocity Pvt.

Ltd., Hyderabad and member of Baba Kalyani Committee on SEZ, Shri Bart D'Souza, Head of Aerospace (India), British High Commission, Mr. Rajesh Phadke, Chief Planner & Architect, JNPT SEZ, and Mr. Abhishek Gupta, Partner, KPMG, were the panelists in the Interactive Session.

Mr. Ashish Jhagarawat also presented a comparative study on SEZ/STPI/EOU Units and opportunities available to the unit holders in SEZs and critical things to be kept in mind by the unit holders while setting up operations in SEZ. Mr. Jhagarawat also moderated the panel discussions.

The seminar was sponsored by Yotta Infrastructure Solutions LLP (Integrated Data Center Parks, a Hiranandani group company). The co-sponsor was Team One ArteQ Pvt. Ltd, and the seminar was supported as RT Corporation.

The meeting ended with a proposed vote of thanks to the chair. ■

NOIDA SPECIAL ECONOMIC ZONE

Zonal Development Commissioner

Dr. L.B. Singhal is a Zonal Development Commissioner, In-charge of Noida Special Economic Zone, other SEZs in Northern India and Export Oriented Units (EOUs) in Northern India. He is 1986 batch officer of Civil Services. He is Ph.D., MBA, LLB. He has done Short-Term/Medium-Term training courses in Japan International Cooperation Agency (JICA), Tokyo, World Trade Institute, Berne, Switzerland, Indian Institute of Management Ahmedabad, (IIMA), Indian Institute of Foreign Trade.

He has worked earlier as Additional Director General of Foreign Trade, Director General EPCES, Executive Director SEPC & Secretary APEDA. He has been involved in making Foreign Trade Policy, Government of India for 10 years and was actively involved in making SEZ Policy and SEZ Act/Rules of Government of India. He has participated internationally in Trade Policy review of Government of India in Geneva in WTO, many international interactions, seminars, and policy-related interactions.

History of Noida SEZ

NSEZ is the only Central Government SEZ in the Northern India, headed by the Zonal Development Commissioner. It was set up in 1985 in Noida Phase-II on a 310 acre plot of land. Government of India has so far invested a sum of Rs. 1105.08 on its development. NSEZ provides excellent infrastructure, supportive services and sector specific facilities for the thrust areas of exports like



gem and jewellery and electronics software. Proximity to Delhi and availability of skilled manpower makes it ideal for setting up jewellery and software development units.

NSEZ has maintained high export growth rate for the past many years. Exports from the zone during 2018-19 have been Rs. 8,996.73 crore. Employment in the zone has gone up to 39,369 as on 31st March, 2019. During the same period, number of operation units in the zone is 259.

Besides, the jurisdiction of Zonal Noida Special Economic Zone is spread over State and private sector SEZs and EOUs in eight states—namely Himachal Pradesh, Punjab, Haryana, Rajasthan, Delhi, Uttar Pradesh, Uttaranchal and Union Territory of Chandigarh, Jammu & Kashmir and Ladakh. Total exports from all SEZs under Zonal DC NSEZ Noida is 65,848.07 crore during 2018-19 and total investment is Rs. 40,251.73 crore as on 31st March, 2019. Further, total employment is 3,58,862 from all SEZ under Zonal DC NSEZ Noida.

In addition, there are 185 EOUs also under jurisdiction of DC NSEZ. Exports from EOUs in the jurisdiction of

Development Commissioner, Noida SEZ have been to the tune of Rs.11,264 crores during the financial year 2018-19.

After enactment of SEZ Act in 2005 and operationalisation of the same in the year 2006, two more multi-product SEZs have come up in the Northern Region—i.e. in addition to one at Noida SEZ, multi-product SEZ at Indore and multi-product SEZ by M/s Mahindra World City SEZ at Jaipur. Two sector-specific SEZs in Gems & Jewellery have come up in Sitapura, Jaipur. One Handicraft SEZ has come up in Moradabad. One Pharmaceutical SEZ by M/s Sun Pharmaceutical SEZ is operational in Mohali.

Noida, Greater Noida and Gurgaon have emerged as major hubs in IT sector exports. 15 IT sector SEZs have become operational in Noida/Greater Noida and Gurgaon. This has helped considerably in providing employment for young boys and girls, especially having qualification like B.Tech, M.Tech, MBAs, B.Com & M.Com. Earlier these young boys and girls had to go to other destinations like Hyderabad, Bengaluru, Chennai, Pune and other cities. Now they are getting jobs at these places, near to their place of stay, in excellent environment and world class infrastructure in these SEZs. IT sector SEZs that have come up in Chandigarh are providing direct employment to approximately 8,500 people who are coming from nearby areas like Punjab, Haryana, Chandigarh, Himachal Pradesh and other states. SEZs have come up in Jaipur which include multi-product SEZ and two Gems & Jewellery SEZs. Jaipur SEZs provide employment to about 21,000 persons including people from nearby region, and those from Rajasthan. SEZs in Indore provide employment to about 31,000 person from the Madhya Pradesh hinterland.

Salient Features

- It provides excellent infrastructure, supportive services and sector specific facilities.
- NSEZ has 202 plots of varying sizes, besides 14 Standard Design Factory (SDF) Blocks accommodating 224 units including one exclusive block for trading service units.
- NSEZ offers access to global telecommunication network and efficient local transport system.
- An independent feeder line has been provided for uninterrupted power supply.
- Customs Wing ensures prompt and on the spot clearances of export/import consignments.

- Sector specific infrastructure for software and Gems & Jewellery units has been developed.
- Satellite data link facility required for software exports is available.

Locational Advantage of NSEZ

- NSEZ is in proximity to National Capital Delhi and the International Airport Delhi.
- Dry Ports, ICD, Dadri (UP) and ICD, Tughlakabad (Delhi) in close proximity.
- Excellent six-lane highway links NSEZ with Delhi and rest of the country.
- Modern residential township in Noida/Greater Noida.
- Commercial, institutional and educational facilities nearby.
- Sub-contracting facilities with over 3,000 units in the industrial township of Noida/ NCR.
- Highly trained and qualified manpower for software development is available in and around Delhi.
- Golf club in close proximity.

TERRITORIAL JURISDICTION OF ZONAL DEVELOPMENT COMMISSIONER, NOIDA SPECIAL ECONOMIC ZONE

Jurisdiction of Zonal Development Commissioner, NSEZ spread over

- 8 States
- 3 Union Territory
 - ❖ Chandigarh (UT)
 - ❖ Delhi
 - ❖ Haryana
 - ❖ Punjab
 - ❖ Himachal Pradesh
 - ❖ Jammu & Kashmir (UT)
 - ❖ Rajasthan
 - ❖ Uttar Pradesh
 - ❖ Uttarakhand
 - ❖ Madhya Pradesh
 - ❖ Ladakh (UT)

SEZs IN THE NORTHERN INDIA

- Total number of operational SEZs: 34.
- 3 Multi Products, 2 Gems and Jewellery, 1 Handicraft, 1 Non-conventional Energy, 1 FTWZ, 1 Pharmaceutical, 1 Biotechnology, 24 IT Sector.
- Total Nos. of Operational SEZ Units: 793
- Exports, Employment and Investment.

Details of functional SEZs under the jurisdiction of Zonal DC, NSEZ

UTTAR PRADESH

S. No.	Name of SEZ	Location / Sector
1	Noida SEZ	Noida (Multi-product SEZ)
2	Moradabad Special Economic Zone, (UPSIDC)	Moradabad (Handicraft)*
3	Moser Baer India Ltd.	Gr. Noida / (Non-conventional energy)
4	NIIT Technologies Limited	Gr. Noida (IT/ITES).
5	Wipro Ltd.	Greater Noida (IT/ITES)
6	HCL Technologies Ltd.	Noida / (IT/ITES)
7	Seaview Developers Pvt. Ltd.	Noida / (IT/ITES)
8	Oxygen Business Park Pvt Ltd.	Noida / (IT/ITES)
9	Arshiya Northern FTWZ Limited.	Bulandshar, Khurja (FTWZ)
10	ArthalnfratechPvt. Ltd.	Gr. Noida (IT/ITES including Electronic H/W & S/W)
11	Ansal IT City and Parks Ltd.	Gr. Noida (IT/ITES)
12	HCL IT City Lucknow Pvt. Ltd.	Lucknow (IT/ITES)
13	Golden Tower InfratechPvt. Ltd.	Noida / (IT/ITES)

CHANDIGARH

S. No.	Name of SEZ	Location / Sector
14	Rajeev Gandhi Technology Park (Phase-I) (Chandigarh Administration)	Chandigarh (IT/ITES)
15	Rajeev Gandhi Technology Park (Phase-II)(Chandigarh Administration)	Chandigarh (IT/ITES)

HARYANA

S. No.	Name of SEZ	Location / Sector
16	DLF Limited	Sector 30, Vill- Shilokhera, Gurgaon (IT/ITES)
17	DLF Cyber City Developers Limited	Sector- 24 & 25 A , DLF Phase III, Gurgaon (IT/ITES)
18	Gurgaon Infospace Limited	Sector 21, Vill. Dundahera, Gurgaon (IT/ITES)
19	ASF Insignia SEZ Pvt. Ltd.	Vill: Gwal Pahari Gurgaon (IT/ITES)
20	Candor Gurgoan One Realty Projects Pvt. Ltd.	Village Tikri Sector 48, Gurgaon (IT/ITES)
21	GTV Tech SEZ Pvt. Ltd. (Formerly Dr. Fresh Healthcare Pvt. Ltd)	Vill: Ghamroj, Tehsil Sohna, Gurgaon (Electronic Hardware & Software including IT/ITES)
22	Mayar Infrastructure Development Pvt. Ltd.	Biotechnology
23	ITPG Developers Pvt. Ltd.	Electronic Hardware & IT/ITES

RAJASTHAN

S. No.	Name of SEZ	Location / Sector
24	Jaipur Special Economic Zone (RIICO) - I	Sitapura, Jaipur (Gem & Jewellery)
25	Jaipur Special Economic Zone (RIICO) - II	Sitapura, Jaipur (Gem & Jewellery)
26	Mahindra World City (Jaipur) Ltd.,	Jaipur (Multiproduct SEZ)

PUNJAB

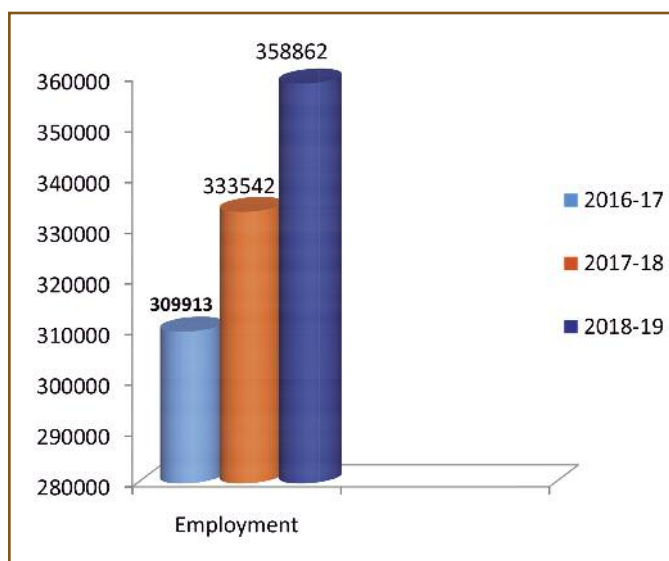
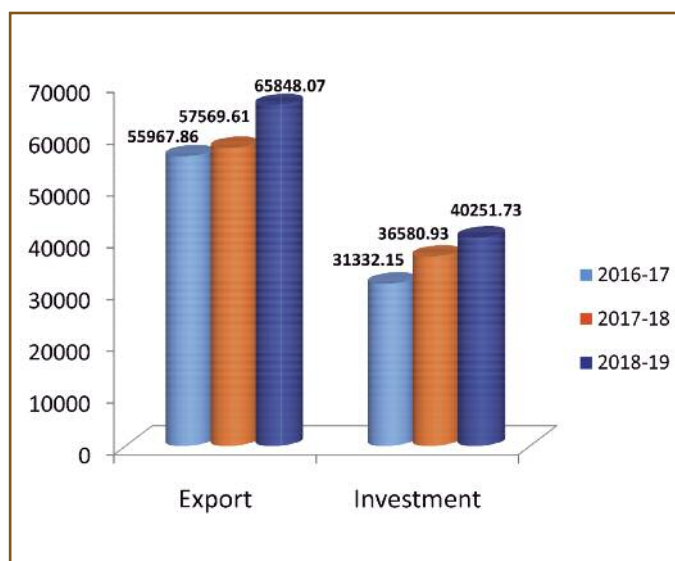
S. No.	Name of SEZ	Location / Sector
27	Quarkcity India Pvt. Ltd.	SAS Nagar, Mohali / (IT/ITES)
28	Sun Pharmaceutical Industries Ltd.	Mohali (Pharma)
29	Infosys Limited	Mohali (IT Sector)

MADHYA PRADESH

S. No.	Name of SEZ	Location / Sector
30	Indore Special Economic Zone	Indore, Madhya Pradesh (Multi-Product)
31	Crystal IT Park SEZ	Indore, Madhya Pradesh (IT/ITES)
32	Infosys Limited	Village Tigaria Badshah, Indore, Madhya (IT/ITES)
33	Tata Consultancy Services Ltd.	Village Bada Bagarda & Tigariya Badshah, (Madhya Pradesh (IT/ITES)
34	Impetus Infotech India Pvt. Ltd.	Indore (IT/ITES)

EXPORTS / EMPLOYMENT / INVESTMENT

Year	Export (Rs. In Crore)	Investment (Rs. In Crore)	Employment (Total)
2016-17	55967.86	31332.15	309913
2017-18	57569.61	36580.93	333542
2018-19	65848.07	40251.73	358862



Major Units in Noida SEZ

S. No.	Unit Name	Sector/Products
1	Cadence Design Systems (I) Pvt. Ltd	Computer/ Electronic Software
2	P C Jeweller Ltd.	Gems & Jewellery
3	Neokraft Global Pvt. Ltd.	Engineering; Electricals lightings; Home lights systems & parts
4	Karna Apparels Pvt. Ltd.	Textile & Garments
5	Sara Trans Industries	Leather, Footwear and Sports Goods Musical instruments' stands, Musical instruments, bags, straps, belts and accessories
6	Global Dent Aids Pvt. Ltd.	Denture Brush, New Plastic Holder, Tooth Brush, Tooth Paste Handles, Tooth Paste, Twisted Wire Brush

S. No.	Unit Name	Sector/Products
7	Maharishi Ayurveda Products Pvt. Limited	Food & Agro products agriculture and plantation products Herbal Preparations, Cosmetics and Toiletries
8	Sahasra Electronics Pvt. Ltd.	Electronics and Hardware, Population and Assembly of PCBs; Semiconductor Packaging & Assembly
9	Romsons International	Manufacturing of instruments & appliances used in medical, surgical, dental or veterinary sciences (disposable medical devices)
10	Syscom Corporation Pvt Ltd	Electronics and Hardware, GSM SIM Card, Smart Card, Integrated Circuits

Some Units in Noida SEZ

i) M/s Neokraft Global Pvt. Ltd., NSEZ

NEOKRAFT is one of the largest manufacturers of Home Lightings and Home Furnishing Articles in India and it operates out of Special Economic Zone for exports. NEOKRAFT is having in-house facilities for design, testing, development and manufacturing as per customer's specific requirements. NEOKRAFT employs more than 800 people in their facilities and the combined workforce of the group is over 2000.

ii) M/s Cadence, NSEZ

Cadence is the company that provides the expertise and tools, IP, and hardware required for the entire electronics design chain, from chip design to chip packaging to boards and to systems. It enables electronic systems and semiconductor companies to create innovative products that transform the way people live, work, and play. Their products are used in mobile, consumer, cloud data centre, automotive, aerospace, IoT, industrial and other market segments.

Indore Special Economic Zone

Indore SEZ was notified prior to the enactment of the SEZ Act, 2005 and became operational w.e.f. 15.08.2003. This SEZ is spread over an area of more than 1100 hectares of land in Phase I & II. Industries of various sectors such as Plastic, Engineering, Pharmaceutical, Metal, Textile & Food processing etc. are located in the Zone.

Location of Indore SEZ is suitable because it is adjacent to the Pithampur/Kheda industrial growth central complex which is incidentally one of the leading growth centers of India and is situated near the most advanced and developed industrial town i.e. Indore, the commercial capital of M.P. Indore provides all the social infrastructure, civic facilities and other benefits to the growing centres.

Connectivity of Indore to all major parts of the country is also a boon to the industries.

Moradabad SEZ

Moradabad SEZ the only Uttar Pradesh Government Developed SEZ in the northern India, headed by the Development Commissioner, Noida SEZ was set up in 2003 at Pakbara-Dingarpur Road in Moradabad on a 421.565 acre plot of land. Government of UP through UPSIDC Limited being developers to this SEZ project has so far invested a sum of Rs. 1100 million on its development. Moradabad SEZ provides excellent infrastructure, supportive services and sector specific facilities for the Handicraft Trade. Proximity to Delhi/NCR and availability of skilled and dedicated manpower makes it ideal for setting up various industries in Handicrafts & its allied filed.

Moradabad SEZ has since been trifurcated vide notification dated 22.11.2017 into:-

- a. Handicraft & Engineering
- b. Textile
- c. IT Sector SEZ

Sitapura, Gems and Jewellery, SEZ Jaipur

Two Gems and Jewellery sector SEZs at Sitapura, Jaipur exported jewellery to the tune of Rs.1537.15 crore during FY 2018-19 and provides employment to 11,000 people.

Some other private SEZs and Units

Mahindra World City, Jaipur

Mahindra World City, Jaipur is promoted as a PPP between the Mahindra Group and Rajasthan State Industrial Development and Investment Corporation (RIICO) which provides an ideal destination of choice for companies looking to establish their base in North India.

Located off NH8 and within the DMIC influence zone, it is spread across 3000 acres. The project is a global benchmark in sustainable development and has a Multi-Product Economic Zone (SEZ) spread across 1500 acres plus Domestic Tariff Area (DTA) spread across 1000 acres, in combination with planned co-located social infrastructure.

Master planned by the Jurong Consultants, Singapore, Mahindra world city Jaipur is located on the Golden Quadrilateral, and is a preferred destination of choice of more than 80 transnational companies.

MWC Jaipur is Asia's first and world's largest project to receive C40 Climate Positive Development Stage 2 Certification. Five sector specific SEZ of Mahindra World City (Jaipur) Ltd. were consolidated into one multi-product SEZ vide notification dated 17.04.2018.

M/s Arshiya Free Trade Ware Housing Zone, Khurja

Strategically located, the FTWZs provide excellent connectivity via rail, road, sea and air modes of transport, and boast of world-class warehouses with state-of-the-art material handling equipment.

Arshiya is the only free trade warehousing zone developer in India with the unique advantage of having two operating FTWZs, a pan India rail operations license with a fleet of 18 rakes and 3500 containers, and an inland container depot (ICD). Arshiya is the only private ICD with rail sidings of its own which guarantees quick and efficient

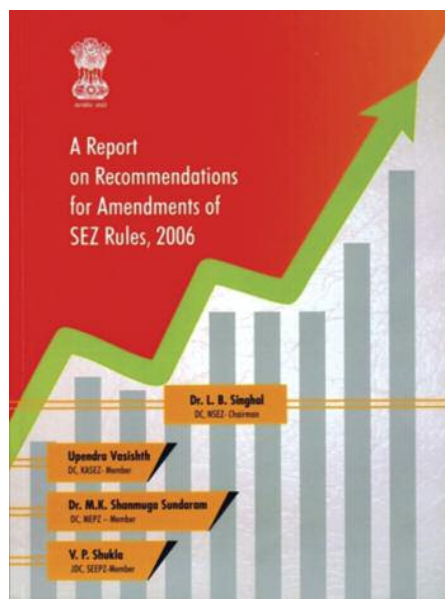
transportation of freight. Arshiya currently operates two FTWZs—Panvel near Mumbai spread over 165 acre, catering to western India; and Khurja near Delhi spread over 135 acre, catering to north India.

Free trade warehousing zones are a category of special economic zones set up to improve logistics infrastructure and facilitate and promote cross-border and international trade. Arshiya's FTWZs serve as mega trading hubs with integrated logistics infrastructure such as special storage areas, world-class material handling equipment, container yards, inland container depot, customs office and commercial complex.

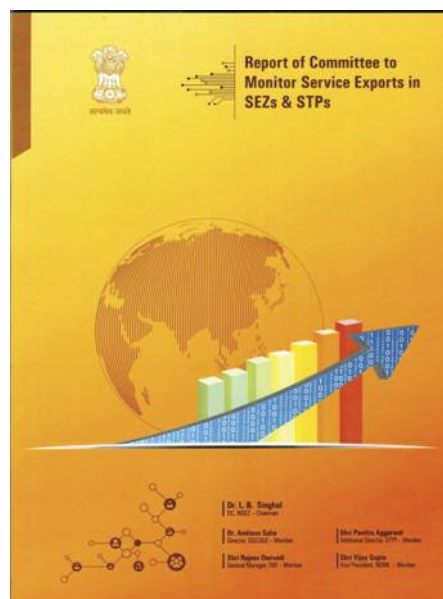
Khurja FTWZ, located about 80 km from India's capital. It is strategically located close to the eastern and western dedicated freight corridor (DFC). The free trade warehousing zone is a part of the 315 acre mega logistics hub which also includes a 50 acre rail siding and 130 acre distribution hub and 60 acre ICD set up by the company.

Policy Initiatives

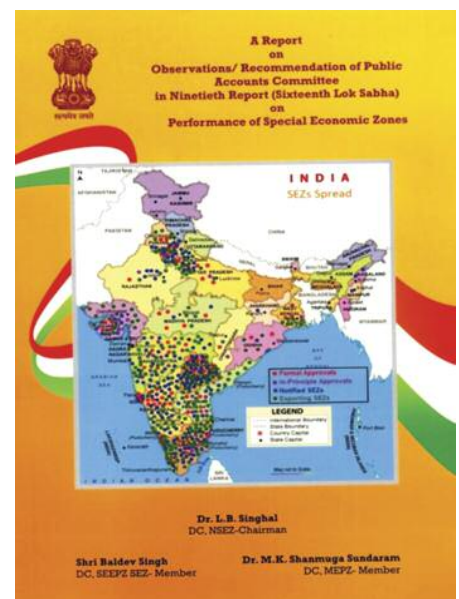
- 3 Committees were constituted by Government of India under the Chairmanship of Dr. L.B. Singhal, Zonal Development Commissioner, NSEZ & SEZs in Northern India
- Committee for amendment of SEZ rules
- Committee to Monitor Service Export in SEZs & STPs
- Committee on Observation/Recommendation of Public Accounts Committee on Performance of SEZs.



The report of the Committee has been submitted to Department of Commerce. Many recommendations have been accepted and notified



The report of the Committee has been submitted to Department of Commerce and it has been accepted and the recommendations have been implemented by the Government



The report of the Committee has been submitted to the Department of Commerce

Major Events / Visits



Visit of Ms. Nirmala Sitharaman, the then Hon'ble Commerce Minister to NSEZ on 24 August 2017: Development Commissioner, NSEZ made a presentation to the Hon'ble Commerce Minister on activities and performance of Noida SEZ. Service Centre renovated with face lift, capsule lift, modern record room with compactor, complete renovation of Customs operational area, facility of a new Library and a Gymnasium for use of staff and family members residing in the staff quarter. These facilities were inaugurated by Hon'ble CIM Ms. Niramala Sitharaman during her visit to NSEZ



EPCES Export Award Function: Development Commissioner, Noida SEZ interacting with Hon'ble Shri Suresh Prabhu, then Commerce Minister on the occasion of EPCES Export Award Function



Visit of Dr. Anup Wadhawan, Commerce Secretary to NSEZ on 5 October, 2018: Hon'ble Commerce Secretary inaugurated the Solar Power Plant of 1,000 KW capacity on Roof Top of Standard Design Factories (SDFs) A to H and J to M Blocks of Noida SEZ during his visit to NSEZ



Visit of Shri P.K. Das, Additional Secretary, Ministry of Finance: Development Commissioner briefed the Additional Secretary about functions and performance of Noida SEZ. He interacted with senior officials of Noida SEZ



Visit of Shri Bhaskar Khulbe, Secretary to PM: Development Commissioner briefed Shri Khulbe about activities and performance of Noida SEZ. Shri Khulbe also interacted with senior officers of Noida SEZ, Developers, Exporters and entrepreneur association of Noida SEZ during his visit on 9 February, 2019



Visit of a delegation of senior officers from Africa



Visit of a delegation of officers from Afghanistan



Visit of a delegation from Bangladesh



Visit of ITS Officers on 22 August, 2019

Major infrastructure related initiatives taken by the Development Commissioner in the NOIDA SEZ recently:

- Construction of ‘M’ Block has been completed containing 16 SDFs of 500 Sq. Mt. area each. This building was inaugurated by Hon’ble CIM Ms. Nirmala Sitharaman.
- 1000 KW rooftop Solar Power Plant has been installed and commissioned
 - ❖ Total Project Capacity is 1.0 MWp (1000 KWp).
 - ❖ The Solar Panels have been installed on 12 SDF Blocks.
- Renovation of Service Centre building of NSEZ
- Face lift of Service Centre building at NSEZ
- Provision of Capsule Lift in the Service Centre building NSEZ
- State of the art compactors have been installed on the 1st floor of Service Centre building for better management of files and records.
- A library has been started at 1st floor of the Service Centre building for staff of NSEZ.
- A gymnasium with modern equipments has been established for staffs and their family members.
- The custom wing on the first floor of NSEZ has been

modernized.

- 06 Toilets has been constructed inside the zone for use of general public
- Following SDF blocks which were dilapidated condition have been renovated.
- Renovation of SDF Block A, B & C
- Renovation of SDFs in NSEZ
- The SDF have been and are being renovated to provide better infrastructure to the industry to work from.
- Relaying of Roads and repair of central Verge inside the zone.
- Repairing / Renovation of CWC
- Inauguration of renovated 4 Parks on 22 July, 2019
- Inauguration of Solid West Management System on 20 August, 2019

Total No. of Plants planted so far is 91000 and the target is 1,00,000 plants. The plantation done during last three years are:

Year	No. of Plants
2019	1000
2018	800
2017	1000

Activities / Events at NSEZ

Republic Day, 26 January, 2019



Activities / Events at NSEZ

Yoga Day, 21 June, 2019



Van Mahotsav, 9 August, 2019



Gandhi Jayanti, 2 October, 2019



Supplies to EOU/STP/EHTP from DTA are eligible for All Industry Rate of Duty Drawback

Central Government has recently issued a Notification No. 28/2015-2020 dated 31.10.2019 amending chapter 7 of the Foreign Trade Policy, 2015-20 whereby it has been provided that the 'Deemed export supplies' would be eligible for All Industry Rate of duty drawback prescribed by the Department of Revenue. Simultaneously, DGFT has issued a Public Notice No. 40/2015-2020 dated 31.10.2019 prescribing the procedure to claim the All Industry Rate of duty drawback against the deemed export supplies.

The 'deemed export supplies' are governed by chapter 7 of the Foreign Trade Policy, 2015-20 (hereinafter referred to as the Policy) and the corresponding chapter 7 of the Handbook of Procedure. As per paragraph 7.2 of the Policy, the goods manufactured in India and supplied against an advance authorisation/DFIA, supply to EOU/STP/EHTP, supply of capital goods against the EPCG authorization, supply of goods to the projects funded by World Bank, Asian Development Bank and others have been considered as deemed exports. Such deemed export supplies are eligible to the benefits specified under paragraph 7.03 of the Policy.

These supplies have been given the status of deemed exports on the premise that the recipient of the goods (EOU/EHTP/STP, EPCG/Advance authorization holder etc) otherwise was entitled to import the goods without payment of customs duty. Therefore, in order to encourage the supply of domestically manufactured goods and to provide the flexibility in the operation by the above category of persons it was stipulated in the Foreign Trade Policy that such supplies would be considered as deemed exports and would be eligible for the benefits specified under paragraph 7.03 of the policy.

As per paragraph 7.03(a) of the Policy, the person supplying the goods as 'deemed export' is eligible to get the advance authorisation/DFIA and can import the inputs required for the manufacture of such supplies without payment of Custom Duties. The supplies made by him to any of the above categories would be considered towards discharge of his export obligation against the advance

authorisation obtained by him. Suppose a person supplies the goods to an EOU, then such supplier can take an advance authorization from the office of the licensing authority working under DGFT and can import the inputs without payment of customs duty required for the manufacture of goods supplied to EOU. The value and quantity of the goods supplied to EOU would be considered towards discharge of his export obligation against the Advance Authorization.

The other benefit is given under paragraph 7.03(b) prior to the amendment dated 31.10.2019 supra was the deemed export drawback of Basic Custom Duty (BCD) by way of brand rate. In order to claim the deemed export drawback of BCD, the supplier was required to prove on the basis of the documentary evidence like bills of entries etc. that he has in fact suffered the basic custom duty on the inputs imported by him. Such supplies were not eligible for the duty drawback at the all industry rate specified by the Department of Revenue. This sort of stipulation was obviously not correct and was not in accordance with the spirit behind the deemed export supplies. In this regard, it may be noted that in case the goods are physically exported outside India, then, the exporter is eligible to the duty drawback at the all Industry rate of duty drawback or the brand rate of duty drawback in case he is not specified with the all industry rate or there is no all industry rate for this product. There was absolutely no need to make the discrimination in this regard for the deemed export supplies. As a matter of fact, a vast majority of the persons who supply the goods to EOU's, holder never claimed the brand rate of duty drawback as it was totally impractical to claim the same.

However, with the issuance of the Notification No. 28/2015-20 dated 31.10.2019, the supplies carried out as deemed exports to EOU/STP/EHTP would become more lucrative. Needless to say, for claiming the All Industry rate of deemed export drawback, there is no need to prove the actual duty suffered on the inputs used in the manufacture of deemed export supplies. The rate specified as the All industry rate of duty drawback' by the Department of Revenue would be sufficient. This step is certainly a welcome step. This would

Contd. on page 25

SEZ CONVENTION ON “SEZ CLEAR TALK” AT HYDERABAD



From left are Shri Srikanth Badiga, Member CGC and Director Phonex Group; Dr. L.B. Singhal, Development Commissioner Noida SEZ; Shri A.R.M. Reddy, Development Commissioner VSEZ; Ms Padma and Mr Joe King

Export Promotion Council for EOUs and SEZs (VSEZ) organized an SEZ Convention on “SEZ Clear Talk” on 25th August 2019 at Hyderabad for prospective SEZ entrepreneurs. The session was attended by Dr. L.B. Singhal, Development Commissioner Noida SEZ and Shri A.R.M. Reddy, Development Commissioner VSEZ.

While addressing Dr. L.B. Singhal, Development Commissioner Noida SEZ said that SEZ scheme has been in operation all over the world though they have been known by various names including EPZs, SEZs etc. He further said that the operationalization of SEZ Act & Rules in 2006, this sector has performed extremely well in terms of increasing exports, attracting investments, manufacturing, generation of employment and creation of world class infrastructure in the country.

Shri A.R.M. Reddy, Development Commissioner VSEZ mentioned that EOUs and SEZs are performing

exceedingly well and are playing a significant role in promoting export from the country.

While welcoming Shri Srikanth Badiga, Member CGC and Director – Phoenix Group mentioned that export from SEZ sector have gone from Rs. 22,000 crores in 2005-06 to Rs. 7,01,179 crores in 2018-19 registering a remarkable growth of 32 times. SEZ sector is generating employment to more than 20.61 lakh person in the country. He further said that tax benefit to new SEZ units would be available to only those units which are set up before 31st March, 2020. EPCES have made a request to Department of Commerce to extend the Sunset Clause by another five years. This will help in generating more employment for the country.

The members present in the meeting highlighted the issues related to SEZs. The meeting ended with proposed vote of thanks. ■

15TH EPCES AGM IN NEW DELHI

The 15th Annual General Meeting (AGM) of the Export Promotion Council for EOUs and SEZs (EPCES) was held on 29th August, 2019 at New Delhi, to approve and adopt Annual Report and Audited Accounts of ECPES for the year 2017-18. While welcoming the participants Shri Bhuvnesh Seth, Vice Chairman, EPCES, said that the Council was set up by the Ministry of Commerce to serve the export promotional needs of 100 percent Export Oriented Units (EOUs), Special Economic Zones (SEZs) and SEZ developers in the country.

EOUs and SEZs, he affirmed, are engines of economic growth and have increasingly contributed to national exports. Elaborating, he said that it provides a great sense of satisfaction that exports from the SEZ sector have gone up from Rs.22,000 crore in 2005-06 to Rs.7,01,179 crore in 2017-18, clocking a remarkable 32-fold growth.

The Government of India has formally approved 416 SEZs out of which 351 have been notified as on May 2019. Overall, 232 SEZs are in operation. The SEZ sector provides employment to 20,61,055 persons in the country. It has attracted investments worth Rs.5,07,644 crore.

EPCES Vice Chairman complimented the office of Director General Foreign Trade (DGFT) for authorizing the EPCES to issue RCMC to EOUs vide DGFT Public Notice No.27 of 26.08.2019. He also mentioned that EPCES organizes Interactive Sessions/Open House Meets so that issues of EOUs and SEZs are speedily resolved. The entire exporting community is thankful to all Development Commissioners for their whole-hearted support to resolve the issues of EOUs and SEZs.

Vice Chairman informed that EPCES in association with ECGC organized a programme at Noida SEZ on 3rd September 2019. EPCES also arranged a Seminar and Panel discussion in association with Moon Group of Companies on 13th September 2019 at Bengaluru. The main objective of the Seminar was to focus on the future of SEZs post 2020. EPCES in association with the PHD Chamber of Commerce & Industry, New Delhi also



Shri Srikanth Badiga proposing vote of thanks. Others sitting on dais from left are Shri Alok Mukherjee, Member Central Governing Council, EPCES; Shri Bhuvnesh Seth, Vice Chairman, EPCES and Shri Vilas Gupta, Regional Chairman, EPCES Noida



A View of the audience

organized the SEZ Convention on 25th September 2019.

After the business session, Shri S.C. Jain, RSA Legal Solutions, a law firm highlighted the issues being faced by SEZ. Shri S.C. Jain also highlighted issues relating to customs and indirect taxation in India and internationally.

While proposing vote of thanks Shri Srikanth Badiga, Member, Central Governing Council, thanked members for attending the meeting. ■

Zero rated Supply to SEZ under GST and advance Rulings related to supply of accommodation services to SEZ

The Zero rated supply has been defined under section Section 16 (1) of the Integrated Goods and Services Tax Act, 2017: “Zero rated supply” means any of the following supplies of goods or services or both, namely:

- (a) export of goods or services or both; or
- (b) supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit.

Further Section 16(3) of the Integrated Goods and Services Tax Act, 2017 states that

A registered person making zero rated supply shall be eligible to claim a refund under either of the following options, namely:

- (a) he may supply goods or services or both under bond or Letter of Undertaking, subject to such conditions, safeguards and procedure as may be prescribed, without payment of integrated tax and claim refund of unutilized input tax credit; or
- (b) he may supply goods or services or both, subject to such conditions, safeguards and procedure as may be prescribed, on payment of integrated tax and claim refund of such tax paid on goods or services or both supplied,

Hence if the supply has been made to SEZ Developers or units then only it will be zero rated. If supply made to any other person operating from SEZ, such as Restaurant and Bank etc, it will not be zero rated.

Whether all types of goods and services supply to SEZ developer and units are zero rated and can be supplied to SEZ without IGST. There is no restriction in the GST Acts and Rules.

As per the second proviso of CGST Rule 89(1) Provided further that in respect of supplies to a Special Economic Zone unit or a Special Economic Zone developer, the application for refund shall be filed by the:

- (a) supplier of goods after such goods have been admitted in full in the Special Economic Zone for authorized operations, as endorsed by the specified officer of the Zone;
- (b) supplier of services along with such evidence

regarding receipt of services for authorized operations as endorsed by the specified officer of the Zone:

Hence under the CGST Rules, the endorsement on the invoices required only for claiming the refund.

However, as per SEZ Rules, an SEZ Developer / Units can avail the tax exemption/concession on the procurement of goods and services related to authorized operation only.

As per Rule 26 of SEZ Rules, where an entrepreneur or Developer does not utilize the goods or services on which exemptions, drawbacks, cess and concessions have been availed for the authorized operations or unable to duly account for the same, the entrepreneur or the Developer, as the case may be, shall refund an amount equal to the benefits of exemptions, drawback, cess and concessions availed.

The Board of Approval (BOA) in its 80th meeting held on 17th November 2017, approved a default list of 66 services related to the authorized operation. The SEZ Units and Developers can procure such service under Bond/LUT without the payment of IGST.

Whether the accommodation services can be supplied to SEZ under LUT i.e. without payment of the IGST – Advance Ruling:

The application for the advance ruling was filed by Smt. Poppy Dorothy Noel, Proprietrix, M/s The Pommels, (called as the ‘Applicant’ hereinafter), having GSTIN number 29 ABRPN8421E1ZA. The applicant has sought advance ruling in respect of the following question:

Whether the IGST at 0% is applicable for the invoices raised to the SEZ Units, even if the accommodation services were rendered outside the SEZ Zone?

The applicant states that she is in the business of providing accommodation services to various corporates in Bengaluru and they include certain SEZ Units. However, “The Pommels” is located in Kalyannagar, Banaswadi which is outside the SEZ Zone.

The applicant is providing accommodation services to the SEZ Unit employees for which the SEZ Unit had

advised them to raise invoices with IGST at 0% as per section 16 of the IGST Act, 2017.

The applicant states that as per Section 12(3) of the IGST Act, which determines the place of supply, since the supply has taken place outside the SEZ Zone, they are not entitled for IGST at 0%, but need to be charged IGST @ 18%.

FINDINGS & DISCUSSION

1.1 The transaction of the applicant is verified and found that the applicant is providing accommodation services to the employees of the SEZ Company and invoices are raised to the Company. The booking for accommodation is also made by the SEZ Company who is responsible for making the payment of the consideration.

1.2 As per clause (93) of section 2 of the **Central Goods and Services Tax Act, 2017**, the “recipient” is defined as under:

“(93) “recipient” of supply of goods or services or both, means –

- (a) Where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;
- (b) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and
- (c) where no consideration is payable for the supply of a service, **the person to whom the service is rendered**, and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied;”

1.3 In the present transaction under reference, the consideration for the accommodation services provided is payable by the company which is an SEZ Unit and hence as per clause (93) of section 2 of the CGST Act, 2017, the SEZ Unit would be the recipient of service and the supplier being the applicant.

5.4. Sub-section (5) of section 7 of the **Integrated Goods and Services Tax Act, 2017** states as under:

“(5) Supply of goods or services or both, –

- (a) when the supplier is located in India and the place of supply is outside India;
- (b) to or by a Special Economic Zone developer or a Special Economic Zone Unit; or
- (c) in the taxable territory, not being an intra-State supply and not covered elsewhere in this section, shall be treated to be a supply of goods or services or both in the course of inter-State trade or commerce.”

5.5 Since the above transaction of the applicant is a supply made to the SEZ Unit, it would be covered under clause (b) to sub-section (5) of section 7 of the IGST Act and would hence be treated as an inter-State supply of services.

5.6 **Circular No. 48/22/2018 – GST dated 14.06.2018** issued by the Central Board of Indirect Taxes and Customs has clarified this issue and the same is reproduced for reference:

“Issue 1: Whether services of short-term accommodation, conferencing, banqueting etc. provided to a Special Economic Zone (SEZ) developer or an SEZ unit should be treated as an inter-State supply (under section 7(5)(b) of the IGST Act, 2017) or an intra-State supply (under section 12(3) (c) of the IGST Act, 2017)?

Clarification:

1.1 *As per section 7(5) (b) of the Integrated Goods and Services Tax Act, 2017 (IGST Act in short), the supply of goods or services or both to a SEZ developer or an SEZ unit shall be treated to be a supply of goods or services or both in the course of inter-State trade or commerce. Whereas, as per section 12(3)(c) of the IGST Act, the place of supply of services by way of accommodation in any immovable property for organising any functions shall be the location at which the immovable property is located. Thus, in such cases, if the location of the supplier and the place of supply is in the same State/ Union territory, it would be treated as an intra-State supply.*

1.2 *It is an established principle of interpretation of statutes that in case of an apparent conflict between two provisions, the specific provision shall prevail over the general provision.*

1.3 *In the instant case, section 7(5)(b) of the IGST Act is a specific provision relating to supplies of goods or services or both made to a SEZ developer or a SEZ unit, which states that such supplies shall be treated as inter-State supplies.*

1.4 *It is therefore, clarified that services of short term accommodation, conferencing, banqueting etc., provided to a SEZ developer or a SEZ unit shall be treated as an inter-Statesupply.”*

5.7 Hence it is clear that the provisions in Section 7(5)(b) of the IGST Act, 2017 overrides the provisions in Section 12(3)(c) of the IGST Act, 2017 and hence the transaction of the applicant is an inter-State supply of services, provided that the supply of services made to the SEZ Unit is an authorized operation under the SEZ Act.

5.8 The applicant has also provided the copy of the Circular No.2/2014 dated 25.07.2014 issued by the Development Commissioner, Office of the Zonal

Development Commissioner (Kerala and Karnataka Special Economic Zones) to all Developer, Co-Developers and Units of SEZs located in Kerala and Karnataka, in which it is stated that the Accommodation Services are added to the list of services to enable the SEZ Units to avail service tax benefits for their authorized operation. In view of the above, if the SEZ Unit is procuring the accommodation services for their authorized operation, the same would be covered under “supply to SEZ Units” and hence would be inter- State supplies and would be a “zero-rated supply” under sub-section (1) of section 16 of the IGST Act, 2017.

5.9 In case of services provided to the SEZ Unit is not for authorized operations, then they would not be treated as supplies to SEZ Units and would not be covered under the zero-rated supplies but still would be a transaction covered under the IGST Act, 2017 and taxable at 18% with the place of supply being the provision of such services.

In view of the foregoing, we pass the following RULING

The supply of accommodation services to the SEZ Units is an inter-State supply under clause (b) of sub-section (5) of section 7 of the Integrated Goods and Services Tax Act, 2017 and if it is for

(a) authorized operations, then it is covered under “zero-

rated supplies” under Section 16(1) of the Integrated Goods and Services Tax Act, 2017

(b) non-authorized operations, then it would be not covered under “zero-rated supplies” under Section 16(1) of the Integrated Goods and Services Tax Act, 2017 and hence liable to tax at 18% IGST with the place of supply being the provision of such services.

Conclusion: Hence as per the advance ruling, if the accommodation services are part of the authorized operations than it can be supplier under LUT without IGST. The accommodation services are part of the default list of 66 services as approved by BOA.

The SEZ developers and Units also submit the application of any other services (which as not included in the default list of 66 services) for the authorized operation to the Development Commissioner Office and the same will be considered for the approval in the Unit Approval Committee (UAC) meeting. The SEZ Developer/units can avail such additional services also on LUT (i.e. without IGST) after approval of it by UAC. ■

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Supplies to EOU / STP / EHTP..

Contd. from page 20

help a number of manufacturers reeling under the recession in the economy and would enable them to provide the competitive rates against the deemed export supplies to EOU because they would be getting an extra amount by way of all industry rate of duty drawback from the office of the licensing authority in the DGFT office. It is further clarified that the refund of the duty drawback can be claimed either by the supplier of the goods or by the recipient of the goods (EOUs) as per the procedure specified in Handbook of Procedures.

This step would also be beneficial to the EOUs/STPs/EHTPs as they would be in a position to get the goods which are manufactured domestically at cheaper rates and would avoid importing the same. This would also be beneficial to the economy in the sense that it would result

in curtailing the import of inputs and encouraging the supply of the domestically manufactured goods.

The other benefit as per paragraph 7.03 (c) of the Policy against the deemed export supplies is the exemption/ refund from the central excise duty which is no more relevant in the GST era. Of course, the benefit of excise duty on HSD, Natural gases etc. can still be availed by EOU/STP/EHTP in terms of notification No. 22/2003-CE dated 31.3.2003. It is pertinent to note that no exemption/refund mechanism of GST has been provided against the deemed export supplies in the Policy. Therefore, the GST aspect in respect of the deemed export supplies has to be dealt independently within the four corners of GST Law. ■

—The author is Mr S.C. Jain, MD, RSA Legal Solutions

Interactive Session at Noida SEZ



Shri Ashrut, Branch Manager, ECGC Ltd welcomes Dr L B Singhal, Zonal Development Commissioner, NSEZ with Flower of Bouquet

EPCES, Noida in association with ECGC Ltd. (A Government of India enterprise) organized a Meeting on Tuesday, 3rd September 2019 at Noida Special Economic Zone. The session was chaired by Dr. L.B. Singhal, Development Commissioner, Noida SEZ.

While addressing the participants, Dr. Singhal appreciated the organizing of the Interactive Session in consultation with EPCES Noida Region for the EOUs and SEZs, for creating awareness about the facilities provided by ECGC, specifically in relation to the various facilities available including Pre-Shipments Credit and

Post-Shipments Credit. He further stated that the NSEZ intends to organize a series of such informative interactions in the future as well.

While welcoming, Shri Bhuvnesh Seth, Vice Chairman, EPCES thanked Dr. Singhal for sparing his valuable time to chair the session. He further said that Dr. Singhal has always supported the cause of EOUs, SEZs and SEZ Developers and has never hesitated to walk the extra mile in order to help them. He also thanked Shri S.S. Shukla, Joint Development Commissioner, Noida for his wholehearted support for resolving the issues of EOUs, SEZs and SEZ Developers.

Shri Ashrut, Branch Manager, ECGC Ltd., informed about the new initiatives taken by ECGC and its contribution towards promotion of exports from India. ECGC is 100 percent owned by the Government of India and the present paid up capital of ECGC is Rs. 2,000 crore against the authorized capital of Rs. 5,000 crore. He further said that ECGC supported the Indian export industry not only in short-term exports but also in medium and long-term exports and encouraged exporters to penetrate even in the most difficult markets. He added that ECGC always endeavored to improve the competitiveness of Indian exporters by giving them Credit Insurance Cover. ECGC keeps its premium rates at the lowest possible level.

He further added that ECGC had products to suit the various requirements of the exporting community—whether it is to cover one buyer, one shipment or on whole turnover basis. He emphasized that payments for exports are open to risk even at the best of times. Lastly, the risk factor assumes large proportions due to the far-reaching political and economic changes that are sweeping the world.

Shri Ashrut informed that two major business segments—viz Policy Insurance provided directly to Indian exporters to cover the risk of non-payment by the overseas buyer/country/bank and ECIB (Export Credit Insurance for Banks) provided to banks in India to protect them against the non-payment of Export Credit Finance—are available to Exporters.

Shri Shailesh Agarwal, CA, Proprietor of M/s Shape & Size Fashions, Noida shared information regarding various products that are available for exporters designed to protect them from the consequences of payment risks, both in the form of political and commercial ones, thereby enabling them to expand their overseas business without fear of loss.

While proposing the Vote of Thanks, Shri Vilas Gupta, Regional Chairman, EPCES, Noida, mentioned that Dr. Singhal is a Master of EOUs and SEZ policy and with his rich and vast experience a number of issues have been resolved in the interest of exporting community. He also thanked Shri S.S. Shukla, Joint DC, Noida for his positive help in resolving the issues. ■



Shri Dev Prakash Sharma, Executive Officer, ECGC Ltd welcomes Shri Bhuvnesh Seth, Vice Chairman, EPCES with Flower Bouquet



Dr L B Singhal, Zonal Development Commissioner, NSEZ addressing the participants



Shri Abhishek Jain, DGM & Regional Manager (NR), ECGC Ltd Briefing the ECGC Scheme

September 12, 2019

BOARD OF TRADE MEETING IN NEW DELHI

The Office of Director General of Foreign Trade organized a meeting of Board of Trade on 12th September, 2019 at New Delhi



Shri Piyush Goyal, Minister for Commerce & Industry releasing the LEADS Index 2019 at the Board of Trade Meeting, in New Delhi on September 12, 2019 along with Minister of State for Commerce & Industry, Shri Hardeep Singh Puri, Som Prakash, Shri Amitabh Kant, CEO, NITI Aayog, Commerce Secretary and Secretary DPIIT

EPCES Vice Chairman Shri Bhuvnesh Seth attended Board of Trade meeting held on 12.9.2019 to submit the issues related to EOUs & SEZs in the Country. Shri Vilas Gupta, Regional Chairman EPCES NSEZ, Shri Alok Mukherjee, Member CGC, Shri Srikanth Badiga, Member CGC and Shri Sunil Puri, SU Imports Pvt. Ltd also attended the Board of Trade Meeting held on 12.09.2019 along with the Vice-Chairman EPCES.

The meeting was Chaired by Shri Piyush Goyal, Hon'ble Union Minister for Commerce & Industry. Dias

was shared by Shri Hardeep Singh Puri Hon'ble Minister of State for Commerce & Industry and Shri Som Parkash, Hon'ble Minister of State for Commerce & Industry, Dr. Anup Wadhawan, Commerce Secretary, Shri Amitabh Kant, CEO NITI Ayog, Dr. Guruprasad Mohapatra, Secretary Department for Promotion of Industry and Internal Trade (DPIIT), Shri Alok Vardhan Chaturvedi, Director General of Foreign Trade.

EPCES submitted the following issues related to EOUs and SEZ units: -

1. Currently, not too many manufacturing units are coming up in the SEZs. The capacity utilization of existing ones is also below par. It would be beneficial if the SEZ units are allowed to have multiple LOAs in order for them to have joint ventures with various investors, including foreign ones. It will not only help in using up the spare capacity, but also aid in expansion of business and give better returns on investment. In turn it will boost exports and generate employment. Cost of exported products will be reduced. JVs with foreign investors will also bring in advanced technology to the country.
2. Since the implementation of GST on 1st July, 2017, SEZ units have paid IGST either in TR-6 to Customs refundable one-year lease rent to SEZ Authority. SDFs are allotted to small-scale units who have limited finance available with them. This non-refundable deposit rule should be withdrawn.
6. The NFE is calculated on duty free import of raw material but in some cases where material is imported on payment of customs duty, the total value of import including customs duty is considered for calculation of NFE. Clarity is required stating that only import value would be considered for NFE without customs duty.
7. EOUs need encouragement for their revival for more entrepreneurs to join EOUs scheme. It is suggested that EOUs should be treated at par with SEZs by



LEFT: Shri Bhuvnesh Seth, Vice Chairman EPCES (Right) and Shri Alok Mukherjee, Member CGC. (left) raising the issues of SEZ/EOUs. **RIGHT:** Shri Srikanth Badiga, Member CGC raising issues of SEZs

- or on GST Portal. The same was not clear to units and officials. It is requested that pre-GST regime system may kindly be implemented for SEZs since they are considered as foreign land and it will be at par with direct import from overseas countries.
3. Similarly, refund of GST may please be allowed to SEZ units on the supplies made from DTA by suppliers without LUT.
 4. Annual increase of lease rent is additional burden on SEZ units in the present scenario of recession, especially when SEZ authorities have lot of reserves. In the present circumstances SEZ units are under pressure to compete in overseas market. Sir, this may kindly be considered favorably.
 5. SEZ units, allotted SDFs, have to deposit non-giving income tax benefits and infrastructure rebates should also be allowed to EOUs like Developers and Co-developers of SEZs.
 8. EPCES is thankful to the Department of Commerce and DGFT for the recent introduction of Transport Marketing Scheme. However this scheme is meant for agricultural products only. We shall be grateful to allow it for all focused products and focused markets.
 9. At present import benefits under GST are being extended to EOUs from time to time through issuance of notifications. Permanent benefit is required to ensure fresh investment in the EOU Scheme. Import benefits under GST should be provided on permanent basis for EOUs like SEZs.
 10. Input credit refund to EOUs should be online as huge working capital is held up. ■

16TH AGM IN NEW DELHI

The EPCES convened its 16th AGM on 27th September, 2019 at New Delhi. The AGM was attended by more than 70 members and all participants were welcomed by Shri Bhuvnesh Seth, Vice Chairman, EPCES



LEFT: From left are Shri Srikanth Badiga, Member CGC, Shri Bhuvnesh Seth, Vice Chairman, EPCES, Shri Alok Mukherjee, Member CGC and Shri Vilas Gupta, Regional Chairman, NSEZ.
RIGHT: Shri Bhuvnesh Seth, Vice Chairman, EPCES welcoming Mrs. Harpreet Khanna, AGM, RBI

The General Body adopted the Annual Report and Audited Balance Sheet & Income and Expenditure Accounts of the Council along with the report of the Auditors for the year 2018-19.

After the business session, Shri Dheeraj Lath of M/s NSDL e-Governance Infrastructure Ltd. who is working closely with various Government agencies for designing, managing and implementing e-Governance projects gave presentation on GST. During the session, the members raised issues related to banking with Mrs. Harpreet Khanna, Assistant General Manager, RBI, New Delhi.

The vote of thanks was delivered by Shri Srikanth Badiga, Member, Central Governing Council. ■



Shri Srikanth Badiga, Member CGC welcoming Shri Dheeraj Lath of M/s NSDL

October 10, 2019

SEMINAR ON SYNERGIES AND OPPORTUNITIES FOR IT/ITES STPI UNITS/ EXPORTERS IN SEZs

EPCES and ASF Insignia, IT/ITES SEZ Developer in Gurgaon, in association with Moon SEZ Consultants Pvt. Ltd. organized a seminar on Synergies and Opportunities for IT/ITES/STPI Units/Exporters in SEZs on 10th October, 2019 at ASF Insignia SEZ, Gurugram (Haryana). ASF Insignia acted as host and sponsor for the seminar.

While addressing around 150 participants Dr. L.B. Singhal, Zonal Development Commissioner, Noida SEZ, appreciated the utility of the seminar in creating awareness among exporters. He said that the SEZ scheme has been in operation all over the world and has been referred to by different names—Export Processing Zone, Free Trade Zone, Special Economic Zone. In India, SEZ scheme was incorporated in the Foreign Trade Policy in the year 2000 and for providing stability and continuity to the scheme, SEZ Act 2005 was enacted. He said that after the operationalization of SEZ Act and Rules in 2006 this sector has performed exceedingly well in terms of increasing exports, attracting investments, manufacturing, generation of employment and creation of world class infrastructure in the country.

During his welcome address Shri Anil Saraf, CMD, ASF Insignia, Gurgaon, thanked Dr. Singhal for sparing his valuable time to chair the session. He further said that O/o The Development Commissioner, Noida SEZ has always supported the cause of EOUs/SEZs/SEZ developers and has done its best to help them. He also thanked Shri Ashish Jhagarawat, Director & CEO of the Moon Group of companies, for organizing the seminar.

Shri Bhuvnesh Seth, Vice Chairman, EPCES as a member in the panel discussion informed that IT sector is performing well in terms of investment, employment and export for the country. He further said that Income Tax benefits to new SEZ Units would be available to only those units which are set up before 31st March, 2020. Furthermore, it is vital to invest/set up units in SEZ Scheme before that



Dr. L.B. Singhal, Development Commissioner NSEZ (second from right), Shri Bhuvnesh Seth, Vice Chairman, EPCES (extreme right), Shri Ratan Moondra, Director, Moon SEZ Consultants Pvt. Ltd. and Shri Ashish Jhagarawat, CEO, Moon SEZ Consultants Pvt. Ltd. (extreme left)



Dr. L.B. Singhal, Development Commissioner Noida SEZ addressing the participants

cut off since income tax benefits for new SEZs will not be available in case the unit is set up after 31st March 2020. The entire SEZ community feels that the sunset clause on SEZs should be extended at least by another 5 years. This will help in generating more employment for the country.

Shri Ratan Moondra, Director, Moon SEZ Consultants Pvt. Ltd., briefed participants on opportunities available to the IT sector units in SEZs keeping in mind the sunset date of 31st March 2020 and how units can avail the opportunity to start commercial operations before that. He thanked ASF Insignia and EPCES for joining hands for useful seminars for the SEZ community.

Mr. Ashish Jhagarawat presented a comparison between SEZ/STPI/EOU units and opportunities available to the unit holders in SEZs and critical things to be keep in mind while setting up operations in SEZ and operating from the same. Mr. Ashish Jhagarawat also moderated panel discussions.

The meeting ended with of vote of thanks to the chair. ■

Interactive Session on EOUs/ SEZ Units/SEZ Developers

EPCES and Noida SEZ (NSEZ) in collaboration with the PHD Chamber of Commerce & Industry arranged an interactive session of EOUs/ SEZs/ SEZ developers on 11th October, 2019 at the PHD House in New Delhi. Dr. L.B. Singhal, Zonal Development Commissioner, Noida SEZ chaired the session. The session was also attended by Shri S.S. Shukla, Joint Development Commissioner, NSEZ.

While addressing the august gathering, Dr. Singhal appreciated the world class infrastructure of India's SEZ and the manifold growth witnessed in the SEZ exports. He further said that exports from SEZ have not only crossed US\$ 100 billion mark but has also been a stimulus for international investment and employment generation. He said that Government is committed to extend all possible support for significant development of SEZs in India.

Dr. Singhal highlighted the benefits available in SEZ like exemptions in duties and taxes, and single window system in SEZ for speedy clearance. He mentioned that the Government has taken several initiatives to encourage private sector participation in the economic development of Export Oriented Units (EOUs) or Special Economic Zone (SEZs) in India. He said this will encourage SEZs to unlock their true potential going forward.

In his welcoming remarks, Shri Sanjay Aggarwal, Sr. Vice President, PHD Chamber, emphasized that the objective of SEZs could be accomplished with facilities that can link SEZ operation with ports. He said that investment in SEZs have increased from Rs. 4,035 crore



Shri Sanjay Aggarwal, Sr. Vice President, PHDCCI welcoming Dr. L. B. Singhal, Zonal Development Commissioner, NSEZ

in 2006 to Rs. 5,09,148 crore in 2019. Highlighting the positive and strong correlation between investments made in SEZs, exports from these zones, and employment generated from them in India, Shri Aggarwal urged the Government for improvements and modifications in SEZs with the increased private sector participation.

Addressing the gathering, Shri Bhuvnesh Seth, Vice Chairman, EPCES said that Dr. Singhal is one of the key policy makers of the Government of India and is very well aware about the difficulties being faced by the EOUs and SEZs. At the same time he is fully conversant with Government policies. Dr. Singhal is being consulted, on EOU/SEZ issue, by Ministry of Commerce and even



Dr. L.B. Singhal, Zonal Development Commissioner, Noida SEZ addressing the participants

Prime Minister's Office, Mr Seth pointed out.

He further said that the following issue needs consultation by Department of Commerce:

- ❖ Extension of Sunset Clause for SEZs or at least the SEZs notified till date may be kept out of the purview of the sunset clause. Investors joined SEZ Scheme keeping in mind the incentives available in it, including income tax exemption. Withdrawing such a major incentive will hamper the image of India in the minds of investors, especially those from foreign countries. At this time of global recession, manufacturing sector needs a level playing ground to compete in the developed global market with business-friendly economic policies.
- ❖ Optimum utilization of capacity by permitting SEZ units to perform job work for DTA units.
- ❖ Simplified GST refund procedure may be implemented.
- ❖ To keep EOUs at par with SEZs, zero rates supply to EOUs under IGST may be provided.

While proposing vote of thanks, Shri Pradeep Multani, Vice President, PHDCCI thanked Dr. Singhal, and Mr Shukla for their support and help in resolving the issue of



Shri Bhuvnesh Seth, Vice Chairman, EPCES addressing the participants

EOUs/SEZs. He also thanked the EPCES for jointly organizing the programme.

The programme was attended by more than 80 participants. The participants were satisfied with the clarification and information provided during the programme. ■

Open House Meeting with Development Commissioner, CSEZ



The dignitaries on the dais are Shri D.V. Swamy, IAS, Development Commissioner, Cochin SEZ (3rd from left); Shri Bhuvnesh Seth, Vice Chairman, EPCES (center); Shri T.V. Ravi, IRS, Director General, EPCES (3rd from right); Shri A.S. Naveen Kushalappa, IRS, Joint Development Commissioner, CSEZ (2nd from right); Shri Anish Muralidharan, IRS, Deputy Commissioner Customs, CSEZ (2nd from left); Shri Saju K. Surendran, I.E.S, Deputy Development Commissioner, CSEZ (extreme left) and Dr. Bose K. Nair, Vice President, World Trade Centre, Bengaluru (extreme right)

An Open House meet was organized jointly by the Development Commissioner, Cochin Special Economic Zone and Export Promotion Council for EOUs & SEZs at World Trade Centre Bengaluru, on Wednesday, October 30, 2019.

The dais was shared by Shri D.V. Swamy, I.A.S, Development Commissioner, Cochin SEZ; Shri Bhuvnesh Seth, Vice Chairman EPCES; Shri T.V. Ravi, I.R.S, Director General EPCES; Shri A.S. Naveen Kushalappa, I.R.S, Joint Development Commissioner CSEZ; Shri Anish Muralidharan, I.R.S, Deputy Commissioner Customs, CSEZ; Shri Saju K. Surendran, I.E.S, Deputy

Development Commissioner, CSEZ; Dr. Bose K. Nair, Vice President, World Trade Centre, Bengaluru.

Shri A.S. Naveen Kushalappa, IRS, Joint Development Commissioner, CSEZ welcomed all the dignitaries and the participants. Shri. Y. Chidanandaiah, Regional Director, EPCES was the Master of Ceremony and he welcomed Shri. D.V. Swamy, I.A.S, Development Commissioner CSEZ and Shri T.V. Ravi, I.R.S, Director General, EPCES with a bouquet.

Smt. Anjali A. Kulkarni welcomed Shri Bhuvnesh Seth, Vice Chairman, EPCES with a bouquet and Smt. Priyanka Jose welcomed Dr. Bose K. Nair, Vice President, World Trade Centre, Bengaluru with a bouquet.



Shri D.V. Swamy, IAS, Development Commissioner, CSEZ addressing the gathering



Shri Bhuvnesh Seth, Vice Chairman, EPCES addressing the gathering



Shri A.S. Naveen Kushalappa, IRS, Joint Development Commissioner, CSEZ welcoming guests



Shri T.V. Ravi, IRS, Director General, EPCES answering the representative's question

Shri Swamy thanked all participants and informed that the Ministry of Commerce & Industry desired that the Office of the Development Commissioners may interact with the units in their jurisdiction to find out their problems and grievances and submit the same to the Ministry. The Ministry will consider these proposals and try to sort out /resolve so that the exports from SEZs could be increased. Development Commissioner CSEZ further informed that there are some issues which can be considered at the level of Development Commissioner and some issues comes under the purview of Central Government like proposed sunset clause, MAT DDT, and others. Development Commissioner, CSEZ Office will try to solve the problems which can be solved at the zonal level and rest they will recommend to Central Government for their consideration and for taking appropriate action.

While addressing the gathering, Shri Bhuvnesh Seth, Vice Chairman, EPCES informed about the Council's activities held in the recent past. He informed that while earlier members were facing problems in getting RCMC from EPCES, this issue has now been resolved, and members are receiving RCMC online. He further informed that EPCES is continuously taking up the issues of EOUs & SEZs. He informed that he raised the issue of extension of proposed sunset clause for SEZs, FTA rates to SEZs, use of idle manufacturing capacity, and other issues in the Board of Trade meeting, in the meeting with Commerce Secretary and at various forums.

Recently we met Principal Commissioner GST Mr. Yogendra Garg and he informed that from 26.09.2019 release of input credit fund are online. However for old refunds, Mr. Yogendra Garg requested EPCES to get the



Shri Saju K Surendran, IES, Deputy Development Commissioner CSEZ delivering the speech



Vote of Thanks by Shri Y. Chidanandaiah, Regional Director, EPCES Bengaluru

details of the refunds and submit it to them. Participants were then requested to raise their queries, if any.

Mr. Vijay of Target Corporation requested that sunset clause may be removed as many of their clients are ready to invest in the scheme. Secondly, about the GST endorsement perspective—while earlier only one approval was required, now many were needed.

Director General EPCES replied that these requirements are taken care by Ministry of Finance. Income Tax exemption for developers was withdrawn in 2017 and for SEZ units the sunset clause for IT is the year 2020. This is basically hitting SEZ developers. Department of Commerce may extend this, but it is linked with WTO norms which are not providing benefits for exports. I argued in WTO Geneva too on this. In other countries they charge it on lump sum basis. As per Government, if it gives IT exemption for infrastructure, the allowed



LEFT: A View of Audience. Shri Ananda Giri, DDG, EPCES, Shri Y. Chadanandaiah, Regional Director, EPCES Bengaluru, Shri Harish Assistant, CSEZ, and Smt. Sree Rajmohan, Regional Director, EPCES Cochin. **RIGHT:** Shri Subair, NSDL CSEZ answering the question raised the participant. And also seen Smt. Silva, Assistant Development Commissioner, CSEZ (left), Smt. Priyanka Jose, Assistant Development Commissioner, CSEZ

portion will only be for a process of goods exports.

As regards second query on GST document endorsement, DG EPCES informed that manufacturing units will be given ARE-I. In case of service the problems arises in 2012. CBEC found that whether the services listed are useful and at that time GST came with the provision that all the units will pay GST and eligible ones will take refund. Now each invoice authorization has to be signed separately. Development Commissioner and Joint Development Commissioner may take a view. EPCES may also request Government of India on this, however amending GST provisions is very difficult.

M/s Biocon raised that it is linked with SEZ online system then the problem will be resolved. Department of Commerce may recommend the same.

Representative of NSDL informed that SEZ online system is ready for it, but is waiting for the approval from GST Wing. In one month we may get the approval. After interlinking with GSTN, this problem will be solved.

A query was raised regarding GST code for list of services. GST code is there for each service; however there are certain services for which GST codes are not provided and that have caused difficulties. Representative of NSDL requested that list of such services may be provided to take further action. Development Commissioner CSEZ assured that the desired list will be provided.

Representative of ONGC, Mangalore raised issue regarding time for endorsement of documents. In GST regime it is 45 days and in SEZ rules it is 30 days. Development Commissioner CSEZ clarified that SEZ Rules may be taken into consideration.

Query was raised regarding benefits to EOUs /SEZs in conversion of MEIS Scheme into RoDTEP. We are not clear

about the details of this new scheme and only 2-3 months are left for implementation of the RoDTEP scheme.

DG EPCES informed that it is actually initiated by Ministry of Textile. MEIS is not WTO compliant. RoDTEP is on appeal stage that is why units are not able to process their MEIS claims. It will be extended further. New Scheme will be implemented after getting approval from the authorities. Government is calculating how much actual state Government duties are being paid by the units and no refund is there over and above the drawback. New scheme will be finalized on that basis. It is in the draft stage.

M/s ONGC raised a query whether they will be getting refund under reverse charge mechanism.

DG EPCES clarified there is no reverse charge mechanism for SEZs. One of the query raised was that for rejected goods given back to suppliers, authorities are asking for IGST.

Deputy Commissioner Customs informed that you will get the refund of IGST paid but you have to pay first.

DC CSEZ advised the ONGC representative that your case is unique and your DC may write to Ministry.

Mr. Laxmikant Yadav of Hassan SEZ raised a query on common effluent treatment system. As per Karnataka Industrial Policy we have applied for 50 lakh subsidy to Karnataka Government, which was approved in March, 2019. But the Audit Department of Karnataka Government raised objection that since we are operating under SEZ Scheme, subsidy will be given by SEZ authorities. DDC CSEZ clarified that SEZ authorities have no role since it is a state Government scheme. If desired, we will issue a clarification in this regard.

Mr. Pradeep of BTPC further added that there are two different policies—one is industrial policy and there is a separate SEZ policy of the state Government and Audit

Department is stating that the incentives to SEZs will be given as per the SEZ policy.

Joint DC CSEZ further clarified that in the last year also state Government had very clearly mentioned that they will not consider this request. However it is a state Government issue and not SEZ issue.

DC CSEZ advised the unit to write to DC CSEZ and they will recommend your case to State Government of Karnataka.

M/s Biocon informed that they are SEZ developer and SEZ unit also. We procure goods on payment of GST. Since we are manufacturer, we are unable to claim refund, however DTA units are getting rebate. We would like to know the details of the concerned officer/authority who will sanction the rebate.

DDC CSEZ clarified that paying tax and getting refund is not allowed for SEZs as these are authorized to get zero rated supply from DTA.

Mr. Jayakumar of ANZ International informed that after introduction of GST, we have to submit online invoices for capital goods and even for the consumables.

DDC CSEZ clarified that this is for manufacturing units and not for service units. Definition of consumables may kindly be referred.

M/s ANZ representatives inquired that for conducting any function who is the authority and how much time is required to get approval.

JDC CSEZ clarified that request of the unit is received recently and they should be given at least 3 to 5 days time for sanctioning approval.

DC CSEZ advised to submit annual calendar of events and we will give advance approval and ADC will further see the other formalities at the time of function.

M/s Bagmane SEZ asked that for endorsement do they have to submit the original documents to the Customs? Can we keep original and submit the copy?

DC Customs clarified that you have to submit original documents. DC CSEZ further clarified that we are accepting digital submissions so it is like an acknowledgement as well.

M/s AEQUS informed that their Softex does not appear in EDPMS.

NSDL clarified that we are sharing data after verification so the problem is on another side. Kindly share the actual problem with us.

M/s AEQUS further desired clarification that whether shipping bills needs to be linked in 270 days with RBI?

NSDL clarified that this issue is resolved. SEZ online is linked and we do not see anything on RBI side.

One query was raised that while shifting material from one state to another for job work, each time all the documentation has to be redone for sending and for bringing back.

DC CSEZ advised to write to them and they will recommend for one time submission of documents.

DC CSEZ also assured about writing to the Central Governing regarding use of idle capacity of SEZs.

M/s Shenjhen International informed that transaction charges of NSDL are too high. We are paying Rs. 8 million per year to NSDL.

NSDL advised them to write to Department to Department of Commerce and advised that for services you can collect and submit it on monthly basis which will be treated as one submission.

One of the units raised the issue that they are getting duty free diesel from the manufacturer and we are selling the power through generator to our clients. We are getting payment from unit in INR.

DDC CSEZ clarified that electricity is treated as supply of goods. You can accept payment in INR.

A query was raised that for getting NOC for starting a cafeteria by SEZ unit, can it be on retrospective basis? Can a unit approach through its developer for NOC for their old infrastructure for cafeteria?

DDC CSEZ clarified that yes you can approach but without tax benefits.

DC CSEZ advised all the participants to send their issues through EPCES Regional Director Bengaluru and he will submit it to DC Office.

DDC CSEZ announced that space of 1 lakh square metres is available in Cochin SEZ for computer and IT units. Parties interested may contact Cochin SEZ.

Vote of Thanks was then delivered by Shri Y. Chidanandaiah. Regional Director EPCES Bengaluru. Shri Chidanandaiah informed that for the last two years we were not able to conduct any open house in Bengaluru or in Cochin. He thanked Development Commissioner CSEZ, Joint DC Cochin SEZ, DDC Cochin, all the ADCs, NSDL and especially the Director General EPCES. EPCES was facing problem in issuance of online RCMC. Vice Chairman EPCES took over charge in July and started the online RCMC portal and now the issue is resolved. He thanked Joint Development Commissioner and said JDC is a local leader of SEZs who put lot of efforts for the success of this event. Support of Dr. Bose K. Nair of WTC is appreciable. RD Bengaluru thanked Mr. Subair of NSDL and the participants and entire team of Doordarshan. The meeting concluded with high tea. ■

Activities / Events at MEPZ SEZ, Chennai

Yoga Day, 21 June, 2019



Independence Day, 15 August, 2019



Gandhi Jayanti, 2 October, 2019



Activities / Events at VSEZ

Yoga Day, 21 June, 2019



Van Mahotsav, 25 July, 2019



Gandhi Jayanti, 2 October, 2019



Baba Kalyani Report on SEZs: Executive Summary

Ministry of Commerce and Industry constituted a committee headed by Mr. Baba Kalyani, Chairman & MD, Bharat Forge limited in June 2018 to study the existing Special Economic Zone (SEZ) of India and prepare a policy framework to adopt strategic policy measures which helps India to capitalize on global growth opportunities while developing its own highly competitive manufacturing and service base. The Baba Kalyani committee has proposed to rename SEZs in India as 3Es- Employment and Economic Enclave, with the objective of moving from island of exports to catalyst of economic and employment growth. The 3Es aims to bring together all categories of investors that enable economic activity or job creation and investment targeted towards leveraging domestic demand.

The committee has recommended moving away from exports to more integrated hub for employment and economic activities supported by quality infrastructure and ease of doing business. For this it has been recommended to use initiatives for creation of manufacturing ecosystem and to be delinked from export performances. The quantum of initiatives should be based on investment committed, job creation, promoting women in job, value addition, technology differentiation, trade potential and priority industry. It has been recommended to shift from trade competitiveness to manufacturing competitiveness. The committee has recommended allowing domestic supplies in Rupee/ payments to be made in rupee when enclaves deal with areas outside the zone and move away from incentive linkages from exports so that the condition of Net Foreign Exchange (NFE) is not required.

The other recommendations are the review of requirements of manufacturing and services separately. As the enablers for manufacturing and services sectors are different, the committee has recommended separate development frameworks, including different operational rules and procedures. The committee has recommended that similar nature industries/sectors could be allowed in certain sector focused enclaves to promote higher demand.

Key Highlights of the Report

- ❖ Framework shift from export growth to broad-based Employment and Economic Growth (Employment and

Economic Enclaves-3Es).

- ❖ Formulation of separate rules and procedures for manufacturing and service SEZs.
- ❖ Shift from supply driven to demand driven approach for 3Es development to improve efficiency of investment-based on certain industries, current level of existing inventory in the region.
- ❖ Enabling framework for Ease of Doing Business (EoDB) in 3Es in sync with State EoDB initiatives. One integrated online portal for new investments, operational requirements and exits related matters.
- ❖ Enhance competitiveness by enabling ecosystem development by funding high speed multi modal connectivity, business services and utility infrastructure. Critical to provide support to create high quality infrastructure either within or linked to the zones. High Speed Rail, Express roadways, Passenger/Cargo airports, shipping ports, warehouses.
- ❖ Promote integrated industrial and urban development-walk to workzones, States and center to coordinate on the frame work development tobring linkages between all initiatives.
- ❖ Procedural relaxations for developers and tenants to improve operationaland exit issues.
- ❖ Extension of Sunset Clause and retaining tax or duty benefits.
- ❖ Broad-banding definition of services/allowing multiple services to cometgether.
- ❖ Additional enablers and procedural relaxations.
- ❖ Unified regulator for IFSC.
- ❖ Utilizing Multi Services SEZ IFSC for all the inbound and out boundinvestment of the country.
- ❖ Incentives for availing services from IFSC SEZ by domestic institutions.
- ❖ Extension of benefit under services Export incentives scheme.
- ❖ Allowing alternate sectors to invest in sector specific SEZs/ 3Es.
- ❖ Flexibility of long term lease for developers and tenants.
- ❖ Facility of sub-contracting for customers outside 3Es/SEZs without anyrestriction or cap at any level.
- ❖ Specified domestic supplies supporting 'Make in India'

to be considered in NFE computation.

- ❖ Export duty should not be levied on goods supplied to developers and used in manufacture of goods exported.
- ❖ Flexibility in usage of NPA by developers and sale space to investors/ units.
- ❖ Infrastructure status to improve access to finance and enable long term borrowing.
- ❖ Promote MSME participation in 3Es and enable manufacturing enabling service players to locate in 3E.
- ❖ Dispute resolution through arbitration and commercial courts.

Introduction of SEZ Policy

The Government has set a target of creating 100 million jobs and achieve 25% of the GDP from manufacturing sector by 2022 and increase the manufacturing value to USD 1.2 trillion by 2025 and at the same time compile the policy with the relevant WTO regulations.

Recognizing the need to promote exports to propel GDP growth of the country, the government of India announced special economic zone policy in 2000 as a part of the EXIM policy and the act was passed in parliament by 2005. The main features of the policy included tax holidays, exemption from import duties and single window clearances. While companies in services sector has been able to get benefit through SEZ policy, manufacturing sector has been unable to replicate the similar export led growth due to the following reasons:

- ❖ Complexity in undertaking domestic and international business for manufacturing.
- ❖ Uncertainty in government policies, specifically tax.
- ❖ Multiple regulatory stakeholders need not necessary aligned all the times.
- ❖ Some provisions of SEZ law not operationalized, though enacted to be single legislation for development of SEZs.
- ❖ Procedural delays and infrastructural bottlenecks.

In view of these challenges and lessons learnt from past experiences and from other countries, Ministry of Commerce and Industry constituted a committee headed by Mr. Baba Kalyani, chairman & MD, Bharat Forge limited in June 2018 to study the existing Special Economic Zone (SEZ) of India and prepare a policy framework to adopt strategic policy measures which helps India to capitalize on global growth opportunities while developing its own highly competitive manufacturing and service base. The committee submitted its report in December 2018.

The Objectives of the Baba Kalyani Committee

- ❖ Evaluate, implement and suggest SEZ policy measures from the year 2000 to cater the needs of exporters in present economic scenario with WTO compatible.
- ❖ Suggest course correction for encouraging manufacturing sector and maximizing utilization of vacant land in SEZs.
- ❖ Make comparative analysis of the SEZ scheme in India and worldwide and suggest changes in the SEZ policy based on the international experience.
- ❖ Dovetail the SEZ policy with other schemes.

Recommendations by Baba Kalyani Committee

The key recommendations of the Committee based on the above mentioned objectives and the inputs from various industry stakeholders can be categorized into the following matrix:

Fiscal intervention regarding institutional and regulatory alignment	Non-fiscal interventions regarding institutional and regulatory alignment
Fiscal intervention regarding infrastructural inputs	Non-fiscal interventions regarding infrastructural inputs

The committee has proposed to rename SEZs in India as 3Es- Employment and Economic Enclave, with the objective of moving from island of exports to catalyst of economic and employment growth. The 3Es aims to bring together all categories of investors that enable economic activity or job creation and investment targeted towards leveraging domestic demand.

Another key highlight of the recommendations was the review of requirements of manufacturing and services separately. As the enablers for manufacturing and services sectors are different, the committee has recommended separate development frameworks, including different operational rules and procedures. Further, the committee has recommended that similar nature industries/sectors could be allowed in certain sector focused enclaves to promote higher demand.

Therefore, the recommendations of the committee has been categorized into 4 categories as follows:

- ❖ Overall strategic recommendations for both manufacturing and service sector.

- ❖ Recommendations for manufacturing sector.
- ❖ Recommendations for service sector.
- ❖ Recommendations and Common Policy Framework.

Employment and Economic Enclaves: Strategic Recommendations for both Manufacturing and Service Sector

The exports focus of SEZs impacts the utilisation of units and limits their ability to be flexible in managing demand between domestic or export market. The committee has recommended to move away from exports to more integrated hub for employment and economic activities supported by quality infrastructure and ease of doing business. For this it has been recommended to use initiatives for creation of manufacturing ecosystem and to be delinked from export performances. The quantum of initiatives should be based on investment committed, job creation, promoting women in job, value addition, technology differentiation, trade potential and priority industry.

Another focus area is to promote demand driven approach instead of supply driven and leverage existing inventory of land parcels in various government initiatives. For achieving this, the committee has recommended the tightening of approval processes for new enclaves based on minimum development obligations, time bound investments and operationalization of business with finite number of extensions to deadlines.

Enabling framework for ease of doing business in 3Es has been given prime importance by the committee including one integrated online portal for new investment, operational issues management and exits/de-notification for developers and tenants. For achieving this, the committee has recommended that the approval process can be automated and integrated with other ministries and department at the center and state. Further the committee has suggested that the entry and exit process should be streamlined and brought under single integrated authority, larger role of development commissioner in facilitating approval processes, formalising de-notification process for enclaves and delink its present mandatory usage for SEZs purpose only. Promote integrated industrial and urban development- walk to work zones, States and center to coordinate on the frame work development to bring linkages between all initiatives and procedural relaxations for developers and tenants to improve operational and exit issues.

It has been recommended to give infrastructure status to improve access to improved financing options as this status would allow these sectors to be entitled to a number of

benefits and concessions and give access to improved foreign finance through external commercial borrowing.

Further, the committee has recommended to allow payments to be made in rupee when enclaves deal with areas outside the zone.

Employment and Economic Enclave for Manufacturing Sector

The Baba Kalyani committee has suggested to shift from trade competitiveness to manufacturing competitiveness. In order to create manufacturing ecosystem, the committee has recommended that the government should increase the competitiveness of the 3Es by enabling link infrastructure by funding high speed multi modal connectivity, business services and utility infrastructure. The link infrastructure is critical for the boost of industrial activity as they form the vital part of industrial area development.

Further, to improve utilisation of units in the processing areas, flexibility to be considered to enable 3E units to support sub-contracting outside 3Es and to operationalize it, reversal of duty or tax benefit on input used for manufacturing can be considered.

According to the committee, the recent amendments to the rules, certain exclusions were made in the categories that are considered for Net Foreign Exchange (NFE) computation, on 19 September 2018, in the categories that area considered for NFE computation, for instance supply of goods to any project import of which is permitted at zero (0) % of duty provided international competitive bidding procedure is followed. Similarly, supply of goods of DTA against payment of foreign exchange either through EEFC (Exchange Earner's Foreign Currency) account of DTA customer or payment received from overseas entity is removed. These exclusions are adversely impacting the Make in India initiative including projects of national importance, such as defence projects. Therefore, status quo prior to 19 September 2018 should be retained, however, the benefits can be restricted to goods manufactured by the units.

The committee has further suggested that to remove the issue of limited export demand, possibility must be explore the possibility of allowing alternate sectors to operate in a sector focused 3Es, so that the sector specific 3Es could be multi-sector to some extent.

The current practice of 30 years lease is unattractive for investors and therefore they opt for alternative options or destinations with more generous terms. Thus, flexibility of lease period for units and developers should be provided that

will enable taking a long term view on the project and enable financing for their development.

Employment and Economic Enclaves for Services Sector

The committee has recommended continuing with present SEZ policy dispensation framework for services and broad-banding with strategic focus on some services. The committee has recommended that existing tax or duty benefits should be retained, sunset clause to be extended and for identified “sunrise” service benefits in tax laws to be considered in line with those extended for IFSC (International Financial Service Centre).

Broad- Branding of the definition of services or allowing multiple services to come together is required and for this it has been suggested that a list of services from a strategic and growth perspective could be developed through detailed studies involving relevant stakeholders, to analyze current regulatory and procedural bottlenecks restricting growth of the identified services and develop enabling framework and to categorize the services and allow multiservice SEZ.

Further, the committee has recommended to consider incentive to identify strategic industries on same lines as in manufacturing. Provide procedural relaxation that include simplification of processes, ease in day to day operations.

The requirement of receipt in foreign exchange for services provided in DTA should be dispensed with and should be brought at par with treatment given to clearance of goods to the DTA especially since such services are no longer counted towards NFE. As all IFSC units are licensed by financial services regulatory to carry out permissible activities, it is proposed that requirement of Net foreign Exchange under the existing regulations should be exempted for IFSC units in the proposed framework. For instance a Re-insurer operating from IFSC receives premium in foreign currency, however in case of the global claim, would be required to pay in foreign currency and thereby it may not be able to achieve positive NFE earning.

Employment and Economic Conclave: Common Policy Framework

The key recommendation common to manufacturing and services from a policy framework perspective are:

- ❖ Enable development or urban amenities within the enclaves and SPVs to manage them, the regulations and institutional framework for enabling development and the state and centre can cooperate in enabling delivery of the approach.

- ❖ Provide for a swift resolution of disputes through arbitration mode or through commercial courts over other dispute redressal mechanism.
- ❖ Encourage better usage and development of the NPA, the dual-usage norms for the NPA should be flexible and review of the local development regulations in deciding the area mix for NPA.
- ❖ Reimbursement- based mechanism for developers to incentivize utilization of assets in NPA by business in PA. The committee recommends to upfront exemptions, and specific methodology may be evaluated for incentivizing the service provided to users in the PA.
- ❖ To promote MSME investments in 3Es by linking with MSME schemes of Government of India. The Government should enable development of competitive supply chains within enclaves and the current Government schemes for MSMEs to be made available in SEZs and also specific initiatives for MSMEs therefore these enclaves could offer central government schemes for MSMEs cluster development and offer utility charges at lower rate than to large investors.
- ❖ Units within the enclaves to be provided with competitive utilities tariff to ensure they are not paying rates higher than available through other means.
- ❖ “Servicification” in proposed enclaves- fund support development of essential services in 3ES to be provided by MOCI, to enable service units in manufacturing to be allowed in manufacturing 3Es and to support can be given to compensate for logistics service costs, labour transport costs, labour mining costs, advertising and marketing costs.

Transition of Existing SEZs to 3Es Framework

Further, on transition to new framework, the committee suggested that the policy framework should have a transitional clause ensuring the following to enable a seamless transition:

- ❖ Status quo on duty or tax benefits already availed including export benefits.
- ❖ No additional conditions on existing operations.
- ❖ No penal consequences including recovery proceedings on such transitions.
- ❖ Existing SEZ units to migrate to 3E framework and for establishment of new business or expansion of operations in 3Es.
- ❖ Pending litigations or disputes to be dealt under the old regime. ■

Benefits on supplies from DTA to SEZ unit linked to payment in Foreign Currency

Our customer in the US has asked us to deliver our goods to a SEZ unit and agreed to pay us in foreign currency. Will this be considered as export for the purpose of drawback and other incentives?

As per Rule 24(3) of the SEZ Rule, 2006, “drawback or any other similar benefit under the Customs and Central Excise Duties Drawback Rule, 2017, as amended from time to time, against supply of goods by Domestic Tariff Area (DTA) supplier shall be admissible where payments for the supply are made from the Foreign Currency Account of the Unit”. As per Para 4.21(iii) of FTP, “Export obligation provided payment is realized from Foreign Currency Account of the SEZ Unit”. Also as per Para of 5.11 of HBP, “realization in case of supplies to SEZ units shall be from foreign currency account of the SEZ unit”. These conditions are not full-filled on your case.

We are re-importing some material exported earlier. We have claimed MEIS and have utilized it. So, we have to surrender that benefit, as per Para 3.24 of HBP. After import, as agreed with the buyer, we will send new material to the buyer, as replacement. As payment was received earlier, the replacement will be exported under GR Exemption. How to reclaim MEIS on the replacement exports, when there will be no fresh payment against the new shipping bill?

I am afraid you surrender the benefit you took and can't get the benefit on free replacement. This problem is not addressed under any of the current instructions or provisions. You may write to the DGFT and seek suitable dispensation.

We want to import air lift platforms on lease basis and send it back. Is there any exemption and if so, what are the conditions?

You may refer to notification 72/2017-Cus dated August 16, 2017, for the exemption and the conditions for temporary import of goods on lease basis.

The finance minister announced on September 14, 2019, that for textile sector MEIS + old ROSL, will continue till December 31, 2019 and then be replaced with the Scheme of Reimbursement of Duties & Taxes on Export Products (RoDTEP). We are not able to comprehend this as the old RoSL scheme was replaced with a new RoSCTL scheme with effect from March 7, 2019. Can you help us understand?

As I understand, RoSL scheme has been brought back for a limited period.

We want to export goods to few of our overseas clients, where prices are not fixed and can be finalized only after shipment. Can we export the goods and then settle the matter through debit and credit notes?

When the price is not fixed at the time of export, you may seek provisional assessment in accordance with Section 18 of the Customs Act, 1962, and get the final assessment shipping bill done upon finalization of the price.

—T.N.C Rajagopalan

EPCES at your Service

Grievance: grievances@epces.in

We are happy to inform you that in order to serve its members in an effective and useful manner, EPCES has created a special e-mail id i.e. grievances@epces.in for its members. Now EPCES members can share their grievance with EPCES related to:

- Policy & Procedural issues of EOUs,
- Zonal level issues,
- State level issued
- Policy related (SEZ Act and Rules) issues of SEZs

Hence, all the Regional Directors are requested to kindly inform all the members/units of your respective zones to kindly take advantage of this opportunity and send grievances to us at email: grievances@epces.in

EPCES News: newsletter@epces.in

EPCES News has constantly and continuously been bringing up and highlighting the issues and problems relating to the EOU & SEZ community.

If you want to share any informative phase with your fellow members, you are welcome to send it to our email newsletter@epces.in along with your photo and your contact details. The decisions of the Editor shall be final looking at the profile of the readership and the objective of the magazine.

Hence, all the members are requested to kindly take full advantage of this opportunity and send to us any information/ article/data for publishing in the EPCES Newsletter.

ADVERTISE IN EPCES PUBLICATIONS

Export Promotion Council for EOUs & SEZs (EPCES) has been setup by Ministry of Commerce & Industry to service the export promotional needs of EOUs & SEZs in the country. Over the years, EPCES has made an endeavour to facilitate consultations between different stakeholders including industry, policy makers, bank, financial institutions and multilateral agencies to facilitate greater competitiveness in the Indian EOUs & SEZ sector



EPCES published many publications to facilitate its members like EPCES News, Book on Notification, SEZ Act & SEZ Rules, Success Stories, FAQ, etc. EPCES Publications are widely distributed to members, non-members EOUs/SEZ Units/SEZ Developers, senior government officials of different ministries, State Governments, important trade associations, Indian missions overseas & overseas missions in India, in trade fairs & exhibitions in India & abroad where EPCES participates, to potential new members etc. EPCES publications have constantly and continuously been bringing up and highlighting the issues and problems relating to the EOU & SEZ community. EPCES publications are an ideal platform to advertise your products & services as it reaches the concerned within India & Abroad. In case you are interested to publish an advertisement in any of the EPCES publications kindly contact EPCES Head Office at epces@epces.in or call 011-23329766-70.

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- Capex(Import/Indigenous).
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- Continuous cash flow owing to access to DTA/Export market.
- Time to build brand image.
- Inter-SEZ and Intra SEZ Linkages available.
- Minimal outside regulatory interference.

For further details contact:
The Zonal Development Commissioner,
Visakhapatnam Special Economic Zone Govt. of India,
Ministry of Commerce & Industry,
Administrative Building, Duvvada, Visakhapatnam - 530 046.
Tel: 0891-2708255, Fax:0891-2587352.
E-mail:devcomm.vsez@gov.in Web: www.vsez.gov.in



Visakhapatnam SEZ



Development Commissioner



@dcvsez



devcomm.vsez.visakha

ACHIEVEMENTS

- Outstanding exports to the tune of Rs.74747 Cr. during 2018-19
- Highest growth rate of exports among all SEZs in the country during 1st half of 2019-20
- Growth rate of 34% in exports in the half year of 2019-20 in VSEZ.
- Direct employment of 3,64,500 nos.

INCENTIVES

- Exemption from duty on imports/ domestic procurement of goods for development, operation and maintenance of SEZ units.
- Exemption from Income Tax.
 - **100% for first 5 years on income earned from exports.**
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 - **50% of the ploughed back export profit for the next 5 years.**
- Sales to SEZ are Zero rated under IGST/CGST.
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- MEIS/SEIS benefits.
- Exemption from Registration Charges.
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Sri. A.R.M. Reddy, I.F.S.,
Zonal Development
Commissioner