

Frequently Asked Questions (FAQs) On Special Economic Zones (SEZs)

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FREQUENTLY ASKED QUESTIONS (FAQs) **ON SPECIAL ECONOMIC ZONES**

Q1. Who can establish a Special Economic Zone?

A Special Economic Zone can be established by individual, whether resident in India or outside India, a Hindu undivided family, a co-operative society, a company, a firm, proprietary concern, or an association of persons or body of individuals, local authority or by the State Governments. (Section 3 of SEZ Act, 2005)

The Central Government does not intend to set up any new SEZs.

Q.2 What is the minimum area requirement for establishment of Special Economic Zones?

The minimum area requirements stipulated for various categories of SEZs are:

TYPE	AREA	AREA FOR SPECIAL STATES/UTs	MINIMUM BUILT-UP AREA.
Multi-product	1000 hectares	200 hectares	—
Multi services	100 hectares	100 hectares	—
Sector specific	100 hectares	50 hectares	—
Handicrafts	10 hectares	10 hectares	—
IT/ITES, Electronic Hardware	10 hectares	10 hectares	1 Lakh sq.meter processing area.
Gems and Jewellery	10 hectares	10 hectares	50,000 sq. meters processing area

Bio-tech, Non - Conventional energy including solar energy equipments/ cell	10 hectares	10 hectares	40,000 sq. meters processing area
Bio-tech, Non - Conventional energy Excluding solar energy equipments/ cell	10 hectares	10 hectares	
FTWZ	40 hectares	40 hectares	1 lakh sq.meters processing area.

The Special States are Assam, Meghalaya, Nagaland, Arunachal Pradesh, Mizoram, Manipur, Tripura, Himachal Pradesh, Uttranchal, Sikkim, Jammu & Kashmir and Goa

Q3. What is a maximum area limit for multi-product Special Economic Zone?

The maximum area over which a multi-product Special Economic Zone can be set up is 5000 hectares. However, the Central government may consider on merit, the clubbing of contiguous existing notified Special Economic Zones notwithstanding that the total area of resultant Special Economic Zones exceeds 5000 hectares.

Q4. What are the steps involved in establishment of a Special Economic Zone?

The steps involved are:

- A developer intending to set up an SEZ should first identify the category of SEZ he intends to apply for.
- Area for setting up of the SEZ needs to be identified. (The area should not be less than the minimum area indicated at Q.2 above.)
- After identifying the area, an application for establishment

of SEZ in Form - A is to be made to the State Government concerned. (Rule 3). If the land is owned by the Developer or has already been leased for a period in excess of 20 years by the Developer, the details of the same can also be filed alongwith the application.

- The State Government, at the time of recommending the proposal, shall commit to provide the facilities and incentives such as exemption from state and local levies, exemption from electricity duty, single window clearance under the State Laws etc. as provided in sub-Rule (5) of Rule 5 of the Special Economic Zone Rules, 2006. [Rule 4(5)]
- The State Government has to forward the proposal with its recommendations within 45 days from the date of receipt of such proposal to the Board of Approval (BOA) addressed to Deputy Secretary, (SEZ) Department of Commerce, Udyog Bhavan, New Delhi. [Rule 4 (1)]
- The applicant also has the option to submit the proposal in Form A directly to the Board of Approval addressed to Deputy Secretary, (SEZ) Department of Commerce, Udyog Bhavan, New Delhi. In such cases, the applicant shall have to obtain the concurrence of the State Government within 6 months from the date of such approval. [Proviso to Rule 4(1)]
- After approval by the Board, the Department of Commerce issues a Letter of Approval to the applicant for establishment of the SEZ (Rule 6)
- After receipt of the Letter of Approval and on submission of details of the land and a clarification from the concerned state government or its authorized agency stating that

developer has legal possession and irrevocable right, the Department of Commerce shall notify the area as an SEZ. (Rule 7 and 8)

- The applicant is required to submit details of the operations proposed to be undertaken in the SEZ so as to obtain authorization for the same from the BOA. Exemptions from central duties and taxes are extended only for the authorized operations.
- Procurement of goods for development of SEZ for authorized operations shall be approved by the Approval Committee at the zone level on the basis of which goods can be procured without payment of Customs duty and Excise Duty by the developer. (Rule 10)
- The applicant has to submit Bond cum Legal Undertaking in the Form-D[SEZ Rule 22(i)]. The same shall be jointly accepted by Development Commissioner and by the Specified Officer.

Q5. What are the incentives and facilities available to the developers of SEZs?

The major incentives and facilities available to SEZ developers include:-

- Exemption from customs/excise duties for development of SEZs for authorized operations approved by the BOA.
- Income Tax exemption for a block of 10 years in 15 years under Section 80-IAB of the Income Tax Act. Block of 10 years will be selected at the discretion of the developer.
- Exemption from minimum alternate tax under Section 115 JB of the Income Tax Act.

- Exemption from dividend distribution tax under Section 115 O of the Income Tax Act.
- Exemption from Central Sales Tax (CST) for authorised operations.
- Exemption from Service Tax. (Section 7,26 and Second Schedule of the SEZ Act) for authorised operations.

Q6. What is the processing and non-processing area? Who is the authority to demarcate the processing and non-processing area?

The processing area is that area in an SEZ where units can be located for manufacture of goods or rendering of services. The Free Trade and Warehousing Zone can also be set up only in the processing area of a multi product SEZ.

The processing and non-processing areas will be demarcated by the Development Commissioner. The processing area and Free Trade and Warehousing Zone shall have specified entry and exit points and be fully secured by taking such measures as approved by the Board of Approval. The non-processing area is the area which is intended to provide support facilities to the SEZ processing area activities and may include commercial and social infrastructure. (Section 6 of SEZ Act and Rule 11)

In this context, the Board decided to prescribe the following norms for boundary walls (Instruction No. 25 of Department of Commerce):

- A. In respect of IT/ITES SEZs, the height of the wall will be decided by the DC
- B. In respect of other SEZs, the wall could either be

2.4 meters in height or 1.8 meters in height plus 0.6 meters of barbed wire fencing.

- C. For any deviations, the proposals can be referred to BoA for a decision.

(Instruction No. 25 of Department of Commerce)

Q7. What is meant by contiguous area? Can an underpass/over bridge to connect two pieces of land separated by road/canal etc. create contiguity?

Contiguous area means 'an area which is connecting without a break, within a common boundary'. Fulfillment of the requirement of contiguous area in respect of SEZs shall be considered by the Board of Approval on a case-to-case basis, in case the contiguity is broken due to existing roads, railwaylines, streams etc. (Rule 7(2))

The conditions for relaxation of contiguity criteria in respect of multi-product SEZs are as under (Instruction No:27 of Department of Commerce):-

- i) The developer shall maintain contiguity by dedicated security gates/overbridges/underpass/culverts and also fence side of the road facing the processing area.
- ii) No tax benefits would be available for measures taken to establish contiguity.
- iii) The entire processing area would be located on one side of the National Highway.
- iv) The formal approval from authorities concerned like NHAI and others would be submitted to the Department of Commerce and work for establishing contiguity would be started only after obtaining the requisite approvals.

- v) No LoA for any SEZ unit will be issued till the entire measures to establish contiguity and securitization of the processing area are completed.
- vi) the movement shall be restricted between the two SEZs till contiguity is established and the present systems will continue

Q8. What is the meaning of the "Vacant area"?

"Vacant Land" means the land where there are no functional ports, manufacturing units, industrial activities or structures in which any commercial or economic activity is in progress. (Rule 2 (zf)).

Q9. Does a developer have to get environmental clearance or is the approval of the BOA sufficient? Also, whether public hearing is dispensed with in respect of SEZ development?

Yes; environmental clearance as required under the law is required and the BOA approval does not include environmental clearance.

For development of SEZs, public hearing is not exempted and the process of environmental impact assessment (EIA) as laid down in the notification of the Ministry of Environment would have to be adhered to. [Condition of Letter of Approval to developer (Form –B and C)] .

Q10. A developer is allowed to allot land in the processing area on a lease basis to a person wanting to establish infrastructure facilities; what infrastructure facilities can be located in the processing area?

Authorized infrastructure facilities which may be located in the

processing area include, standard design factory buildings, power plant, effluent treatment plant, etc. [Rule 11(5)]

Q11. Are duty and other benefits available for operation and maintenance of infrastructure facilities in the non-processing area?

Duty exemption for goods and services is not available for operation and maintenance of facilities in the non-processing area. [Rule 27(2)]

Q12. Are goods imported/procured before the notification of the SEZ entitled to duty benefits?

No. As per Rule 9 duty benefits are available for authorized operations by the SEZ developer only after the Zone has been notified. Similarly, SEZ units are entitled to import/procure goods for authorized operations only after the processing area has been demarcated. [Rule 9]

Q13. Can contractors be appointed by developer and will they be eligible for duty benefits?

Duty benefits available to the Developer shall also be available to the contractor without any approval by the BOA. However, the responsibility for proper utilization of goods rest with the Developer. Relevant documents would have to be filed jointly in the name of the Developer and the contractor. (Rule 10)

Q14. Would there be any issue if a rivulet passes through the SEZs?

The requirement of contiguity in respect of a SEZ shall be considered by the Board of Approval on a case-to-case basis. [Rule 7(2)]

Q15. Is there any procedure for de-notifying an SEZ?

This can be considered by Board of Approval provided SEZ developer refunds back all benefits availed by it.

Q16. What is the procedure for increasing the size of the SEZ with additional land?

As long as the additional land is contiguous and vacant and it makes the entire SEZ area contiguous, the additional area could be included as part of the SEZ by a notification, after approval from Board of Approvals.

Q17. Will it be possible to include a portion of the non-processing area into the processing area at a later point of time subject to compliance with the boundary wall requirements?

The Development Commissioner is the authority to demarcate the SEZ area into processing and non-processing areas. Conversion of non-processing area into processing area would be permissible subject to the satisfaction of the Development Commissioner. (Rule 11)

Q18. Is there a minimum criterion for built up space?

There is a minimum built-up area requirement of 1 lakhs sq. meters for sector specific SEZ in the IT sector and for FTWZ. [Rule 5(2) of SEZ Rules 2006]. Rule 5(2) provides as under:

- A Multi Product SEZ shall have a contiguous area of one thousand hectares or more but not exceeding 5000 hectares. Provided that in case a Special Economic Zone is proposed to be set up in Assam, Meghalaya, Nagaland, Arunachal Pradesh, Mizoram, Manipur, Tripura, Himachal Pradesh, Uttaranchal, Sikkim, Jammu and Kashmir, Goa

or in a Union Territory, the area shall be two hundred hectares or more.

- Provided further that at least fifty per cent of the area shall be earmarked for developing the processing area
- Provided also that the Central Government may consider on merit the clubbing of contiguous existing notified Special Economic Zones notwithstanding that the total area of resultant Special Economic Zones exceeds 5000 hectares.
- A Special Economic Zone for a specific sector or [for one or more services] or in a port or airport, shall have a contiguous area of one hundred hectares or more:
- Provided that in case a Special Economic Zone is proposed to be set up exclusively for electronics hardware and software, including information technology enabled services, the area shall be ten hectares or more with a minimum built up processing area of one lakh square metres:
- Provided further that in case a Special Economic Zone is proposed to be set up exclusively for handicrafts, the area shall be ten hectares or more.
- Provided also that in case a Special Economic Zone is proposed to be set up exclusively for bio-technology, non-conventional energy, including solar energy equipments/cell, or gem and jewellery sectors, the area shall be ten hectares or more with a minimum built up area as under:
 - i) forty thousand square meters in case of a Special

Economic Zone proposed to be set up exclusively for biotechnology and non-conventional energy sectors, including solar energy equipments/cells but excluding a Special Economic Zone set up for non-conventional energy production and manufacturing;

ii) fifty thousand square meters in case of a Special Economic Zone proposed to be set up exclusively for the gems and jewellery sector.

- Provided also that in case a Special Economic Zone for a specific sector is proposed to be set up in Assam, Meghalaya, Nagaland, Arunachal Pradesh, Mizoram, Manipur, Tripura, Himachal Pradesh, Uttaranchal, Sikkim, Jammu and Kashmir, Goa or in a Union territory, the area shall be fifty hectares or more for the Special Economic Zones not covered under the first and second provisos.
- Provided also that at least fifty per cent. of the area shall be earmarked for developing processing area.
- Special Economic Zone for Free Trade and Warehousing shall have an area of forty hectares or more with a built up area of not less than one lakh square metres.
- Provided that in a stand alone Free Trade and Warehousing Zone at least fifty per cent of the area shall be earmarked for developing processing area.
- Provided further that a Free Trade and Warehousing Zone may also be set up as part of a Special Economic Zone for multiproduct:
- Provided also that in a Special Economic Zone for a specific sector, Free Trade and Warehousing Zone may

be permitted with no minimum area requirement but subject to the condition that the maximum area of such Free Trade and Warehousing Zone shall not exceed twenty per cent. of the processing area.

Q19. Is there a requirement for a minimum number of tenants in a SEZ?

No. There is no minimum requirement for the number of tenants within an SEZ. The same legal entity can be the developer and can also be one of the units in the SEZ.

Q20. What are the kinds of support infrastructure that can be included in an SEZ? Will these be part of the SEZ and will fiscal benefits be available in respect of these facilities?

The SEZs can have business, residential or recreational facilities located in the non-processing area to support the processing area activities. Such activities shall need prior authorization of the BOA. Only those authorized activities approved by the BOA would be eligible for exemption from taxes and duties for the initial establishment of the infrastructure facilities. No duty exemption shall however be available for operation and maintenance of such facilities in non-processing area. [Rule 27(3)]. Details of a activities, which can be approved as authorized activities, in non-processing area, are given in Ministry of Commerce & Industry Notification dated 27.10.2006. In respect of default activities, as given in Ministry of Commerce & Industry Circular No:F.1/153/2007-SEZ dated 22.8.2008, no approval from Board of Approvals is required.

Q21. Are there any limitations or conditions in relation to the support infrastructure in the non-processing area? Can these be used/ accessed by outsiders?

This is considered on case-to-case basis by the Board of

Approval. It is expected that the non-processing area facilities should primarily cater to the needs of the SEZ.

Q22. What is the concept of a Co-Developer?

The infrastructure facilities of the SEZs are normally to be developed by the Developer. The developer may, however, desire that certain facilities or certain portions of the SEZ to be developed by another person. Such person willing to set up infrastructure in the SEZ can file an application with the Board of Approval to be considered as Co-Developer, with the consent of the Developer, and will be eligible for similar benefits as the Developer. (Section 3(12) of SEZ Act, 2005)

Q23. Can the car parking area be part of the built-up area for the IT SEZs?

No. The car parking area cannot be counted as part of the built-up area for IT SEZs.

Q24. Can the residential area in the non-processing area of the SEZs be sold?

No. Land in the SEZ, including the non-processing area, cannot be sold.

Q25. Whether sale of land in processing area/non-processing area allowed?

No. Land notified as an SEZ can not be sold. It can only be leased.

Q26. How is the built up area for FTWZ determined? Will it cover paved area, walled area, container yard etc.? Is development allowed in phases?

The minimum built up area for FTWZ is 1 lakh sq. mtrs. The

paved and walled area, and the container yard will not form part of the built up area. Development can be carried out in phases as well.

Q27. Is Foreign Direct Investment (FDI) allowed for establishment of an SEZ?

Foreign Direct Investment, upto 100%, for setting up of SEZ is permissible under automatic route. Wherever approval from Central Government is required, the same can be given by Board of Approval.

However, it should be ensured by the promoter that his equity does not fall below 51%. In case the promoter decides to decrease the shareholding below 51%, then prior approval of BOA must be taken. (Instructions No:23 of Department of Commerce)

Q28. What are the exit options for an SEZ Developer?

The SEZ Act provides for transfer of letter of approval in case of a Developer who is unable to discharge his functions, or violates the terms and conditions of the letter of approval or is facing financial hardship.

There is no restriction on transfer of equity in the Developer company, which would provide the investors with an exit option.

Q29. What is the procedure for setting up a unit in an SEZ?

For setting up a unit in SEZ, an application in Form - F prescribed in the rules, needs to be submitted to the concerned Development Commissioner. [Rule 17(1)]

All relevant approvals for establishment of units would be facilitated by the Approval Committee which is chaired by the Development Commissioner.

After approval, a Letter of Approval (LoA) will be issued to the applicant. (Rule 19)

After obtaining the Letter of Approval, the unit may take possession of the land/built up space and execute a bond-cum-legal undertaking jointly with the Development Commissioner and Specified Officer as given in Form - H of SEZ Rules (Rule 22) and commence its operations thereafter.

Q30. What are the incentives and facilities available to SEZ units?

The major incentives and facilities available to SEZ units include:

- Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units. Construction of factory building is also eligible for such benefits.
- 100% Income Tax exemption for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years. Income tax benefit as mentioned above is available on the profits out of exports made out of India.
- Exemption from minimum alternate tax under section 115JB of the Income Tax Act.
- External commercial borrowing by SEZ units upto US \$ 500 million in a year without any maturity restriction through recognized banking channels.

- Exemption from Central Sales Tax for the authorised operations in the SEZ.
- Exemption from Service Tax for the authorised operations in the SEZ.
- Single window clearance for Central and State level approvals through approval committee.
- Exemption from State sales tax and other levies as extended by the respective State Governments. (Section 7, 26 and second schedule)

Q31. Where can trading units be located in the SEZ?

Trading units can be located in multi-product SEZs or in FTWZs or in port based SEZs. Trading of goods in a particular sector can also be undertaken in sector-specific SEZs.

Q32. Whether exit options are provided to the SEZ unit ?

Rule 74 provides for exit from the SEZ scheme by an entrepreneur who has a unit in the SEZ. (Rule 74)

Q33. Is it necessary to have only one entry and exit point or can there be more than one entry and exit point?

The Rule provides for the SEZ to have specified entry and exit points and the Development Commissioner would consider the locational aspects and decide on the number of entry and exit points to be provided. There is no bar on more than one entry or exit points. [Rule 11(2)]

Q34. Can units in an SEZ import/procure vehicles free of duty?

Goods can be imported/procured for authorized operations.

Rule 27(3) provides that no duty exemptions and other benefits shall be available for any goods for personal use or consumption. Therefore, cars cannot be imported/procured free of duty. [Rule 27 (3)]

Q35. Can the entire production be sub-contracted by an SEZ Unit?

Production can be sub-contracted by an SEZ unit, upto the value of goods produced by the unit in its own premises in the preceding financial year and for the first year of operation, it shall be restricted to the value of goods produced by the unit in its own premises during the first year of production. This means that if a unit produces in its own premises, say Rs. 5 crores worth of goods in the preceding year or in the first year, the sub-contracting of production could be undertaken to the extent of goods worth Rs. 5 crores outside the unit. [Rule 41 (1) (f)]

Q36. Supplies to bonded warehouses and FTWZs by SEZ units, where payment is received in foreign exchange, are counted towards fulfillment of positive net foreign earnings. Is actual receipt of foreign exchange necessary in such cases?

The DTA buyers are allowed to pay in foreign exchange for procurement of goods from SEZs by the RBI. Therefore, the actual payment needs to be made in foreign exchange.

Q37. Can foreign/DTA/Service companies establish units in an FTWZ?

Yes. Foreign/DTA/Service companies can establish units in an FTWZ provided they meet the requirements of the scheme.

Q38. Is sub-contracting permitted for FTWZ units?

Since FTWZ units are engaged in trading and warehousing,

sub-contracting of production or production process is not permissible. [Rule 41 (1) (g)]

Q39. Can STP/EOU units continue in the non-processing areas of a SEZ?

No. The non-processing area is meant to support the activities in the processing area. Therefore, such an eventuality is not envisaged.

Q40. Is it actually a single window clearance ("SWC") approval process for a unit?

Yes. The State Government has nominees on the Approval Committee and they are expected to deal with State related issues thereby ensuring single window clearance. (Section 50 and Rule 17)

Q41. What is the procedure for setting up an Off-shore Banking Unit in SEZ?

Application for setting up of Off-shore Banking Unit need to be made to the Reserve Bank of India in Form – VI prescribed under section 23 of the Banking Regulation Act, 1949. (Rule 21)

Q42. What are the guidelines for the operation of Off-shore Banking Unit?

The guidelines governing the operation of Off-shore Banking Units are indicated in the notification No. FEMA 71/2002-RB dated 7th September, 2002 issued by the Reserve Bank of India. (Rule 21)

Q43. What are the major incentive available to Off-shore Banking Unit?

The major incentive available to Off-shore Banking Unit is 100%

income tax exemption for 5 consecutive years and 50% for next 5 years under section 80LA of the Income Tax Act. (Second Schedule to the SEZ Act)

Q44. Is Foreign Direct Investment permissible for setting up of units in SEZs?

FDI upto 100% is allowed through the automatic route for all manufacturing activities in Special Economic Zones (SEZs), except for the following activities:

- Arms and ammunition, explosives and allied items of defence equipment, defence aircraft and warships;
- Atomic substances;
- Narcotics and psychotropic substances and hazardous chemicals;
- Distillation and brewing of alcoholic drinks; and
- Cigarettes/cigars and manufactured tobacco substitutes

Sectoral norm as notified by Government shall apply to foreign investment in services.

The cases not covered by automatic route are considered and approved by the Board of Approval.

Q45. What is the requirement of lease agreement when Developer/ Co-Developer and unit are the same?

References have been received by Department of Commerce seeking clarification on Rule 18(2) on the issue of regarding

requirement of lease agreement when the Developer/Co-Developer and the unit are the same legal entity.

The Department of Commerce vide instruction no.31 has clarified that in cases where Developer or Co-Developer setup a unit, there is no need for a separate lease agreement between the developer/Co- Developer and unit. An allotment letter from the Developer or Co-Developer to the unit would be sufficient.

Q46. What is the procedure for Clearance of used capital goods into Domestic Tariff Area

The capital goods which have been procured by the developer or co-developer for undertaking authorised operations in SEZ can be cleared back into DTA following the procedure as per the provisions of rule 49(3). (Instruction no 33 of Department of Commerce)

Q47. What is the currency for calculation of NFE

NFE is to be calculated in rupee terms only. In case a unit is NFE negative and claims that it is due to foreign exchange fluctuation, the Approval Committee may consider such cases provided that the unit gets the computations certified by the Authorised Bank, on a case to case, basis. (Instruction no 41 of Department of Commerce)

Q48. What is the procedure for consideration of proposals for authorized operations by the BoA.

All requests for carrying out authorized operations, whether covered in the default list or not, shall be initially made to the concerned DCs who will first consider and dispose the requests at their level within 15 days from the date of the receipt of

the request. The DCs will send only such requests/items for consideration by BoA, which are outside side their powers and that too with their specific comments/recommendation.

The requests of developers/co-developers, for authorized operations, received without the certification from the concerned DCs, to the effect that the authorized operation(s) is/are outside his powers and their specific comments on the same, will not be considered by the BoA. (Instruction no 42 of Department of Commerce).

Q49. Can IT/ITES Sector specific SEZ house Hardware units ?

No approval of BoA is required for broad-banding as IT/ITES includes both Hardware and Software. (Instruction no 52 of Department of Commerce).

Q50. What is the policy regarding "Grant of Extension of Validity of in-principle approvals"

The following guidelines issued by the Department of Commerce will apply in cases where:

- i) The request for extension had been filed before the expiry of the LoA and
- ii) Where steps for implementation of the proposal like acquisition/purchase of land etc. have been taken;

The Letter of Approval (LoA) may be extended for 1 more year beyond the original validity. While extending the in-principle LoAs, any approvals given for area of more than 5000 hectares may be capped at 5000 hectares to align all such approvals as per the Government decision in this regard.

Type of SEZ	Conditions for grant of 2nd Extension
IT/ITES/G&J/Biotech/Nonconventional Energy SEZ etc. with min. Area requirement of 10 Ha and Stand alone FTWZ.	No second extension to be granted in such cases
Sector Specific SEZs other than mentioned above	Conditions for grant of first extension will be applicable. Apart from this, the developer must have 60% land acquisition/ possession.
Multi-product	Conditions for grant of first extension will be applicable. Apart from this, the developer must have 50% land acquisition/possession

(Instruction no 22 of Department of Commerce).

Q51. What is the procedure to be followed for increasing/decreasing the SEZ area?

The requests for increase/decrease of SEZ area should be routed through the concerned Development Commissioner in the formats prescribed by the Department of Commerce vide Instruction No:24.

Q52. What are the default authorized operations which can be undertaken by the Developer/approved Co-developer by default from the date of the Notification?

Consolidated list of default authorized operations which can be undertaken by the developer/approved co-developer by default from the date of notification is contained in the Department of Commerce Instructions No:50

The DC's/UAC's may allow Developer/approved Co-developers duty free goods and services for these default authorized

operations from the date of notification of the SEZ. These authorized operations will, however, continue to be subject to the various guidelines issued by Government from time to time. Approval Committees while approving goods and services for such default operation may look into the actual requirement of the SEZs for such operations.

(Instructions No:50 Department of Commerce)

Q53. Is there any minimum investment criteria for setting up a unit in SEZ ?

There is no minimum investment criterion for setting up a unit at SEZ.

Q54. Whether Development Commissioner/Approval Committee can permit proposal for broad banding/diversification or change in the items of manufacture?

Yes. The Approval Committee may approve the above proposals [Rule 19(2)]

Q.55 Whether a Trading Unit/Free Trade warehousing unit can export in Indian Rupees ?

No. All transactions by a unit in Free Trade and warehousing zone shall only be in convertible foreign currency. [Rule 18(5)/ Rule 45(2)]

Q56. Is there any time limit for realization of export proceeds by SEZ unit ?

No. There is no time limit prescribed.

Q57. If any excise duty has been paid by a SEZ unit under certain circumstances, whether it can be re-imbursed or not ?

There is no such provision for re-imburement of excise duty paid by a SEZ unit.

Q58. Is there any export obligation for SEZ unit ?

There is no export obligation. However, the SEZ unit has to achieve positive NFE during its 5 year period of operation.

The SEZs Act, Rules and instructions indicated in the FAQs are available on the website of Department of Commerce www.sezindia.nic.in



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