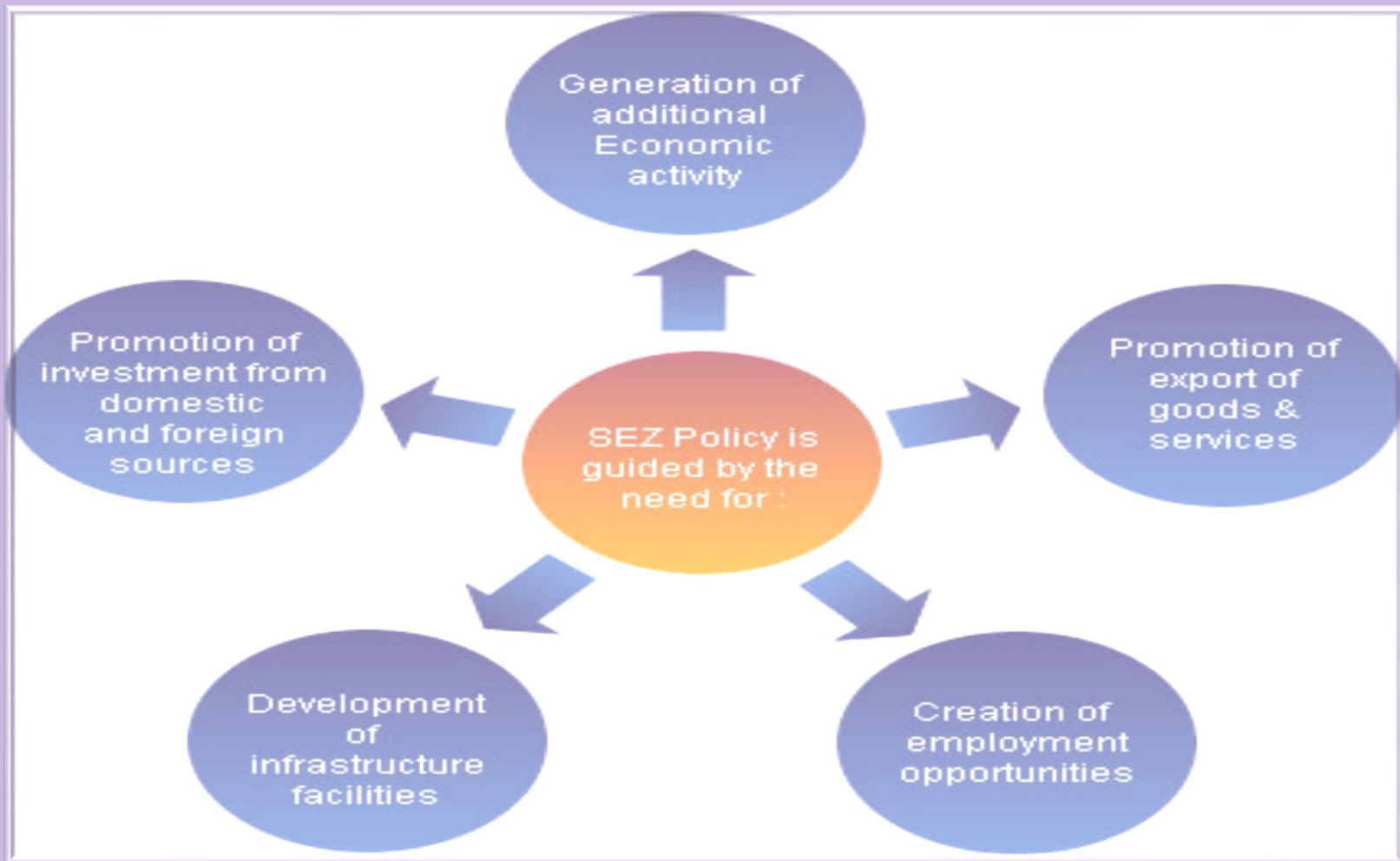




Special Economic Zones & Export Oriented Undertakings



Special Economic Zones SEZ Incentives



Range of Incentives:

1	Customs and Excise
2	Income Tax
3	Foreign Direct Investments
4	Off-Shore Banking Units (OBUs)
5	Banking / External Commercial Borrowings (ECBs)
6	Service Tax
7	Sales to DTA
8	Exemptions in Matters Related to Environment
9	Company Act
10	Drugs and Cosmetics
11	Labor Laws

SEZ Compliances and how can we help you?

S:No	Particulars	Time Limit	AJSH Remarks
1	Whether Letter of Approval Available to SEZ Unit In form G	On Startup	File on your behalf
2	Whether list of Goods/Services to be procured for authorized operations is available with the unit	On Startup	File on your behalf
3	Annual Performance Report in FORM – I	Within 90 Days Following the close of Financial Year	File on your behalf
4	Whether Bond-cum-Legal Undertaking in FORM H executed	Along with APR	File on your behalf

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5	Whether Services are also provided to Domestic Tariff Area ?	Monthly Review	Separate books for DTA therefore book review and maintenance.
6	Are there any services on which Exemption has been taken but not utilized for authorized operations of SEZ unit?	Monthly Review	We could perform the monthly review on your behalf.
7	Where Import of services through data communication link or Telecommunication links is done, Consolidated Bill of Entry is filed?	Within 3 working days from the closure of the month	Consolidated Bill of Entry for the month

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8	Where services are exported in non physical form whether export value on self certification basis is furnished.	Monthly Review for export of Services	Perform review on your behalf as per the Instructions of RBI
9	Are there any services which has been procured from other units in same SEZs/EOUs/EHTPs/STPs or vice-versa.	Monthly Review	Perform review on your behalf
10	Are there any cases where foreign exchange realization is pending	Continues Reviewing Process	Complete info for Non Realization
11	Whether complete information of external commercial borrowing is maintained	Continues Reviewing Process	Perform review on your behalf
12	Whether CIF value of all the capital goods imports and spares till the end of year is maintained.	Continues Reviewing Process	Perform review on your behalf

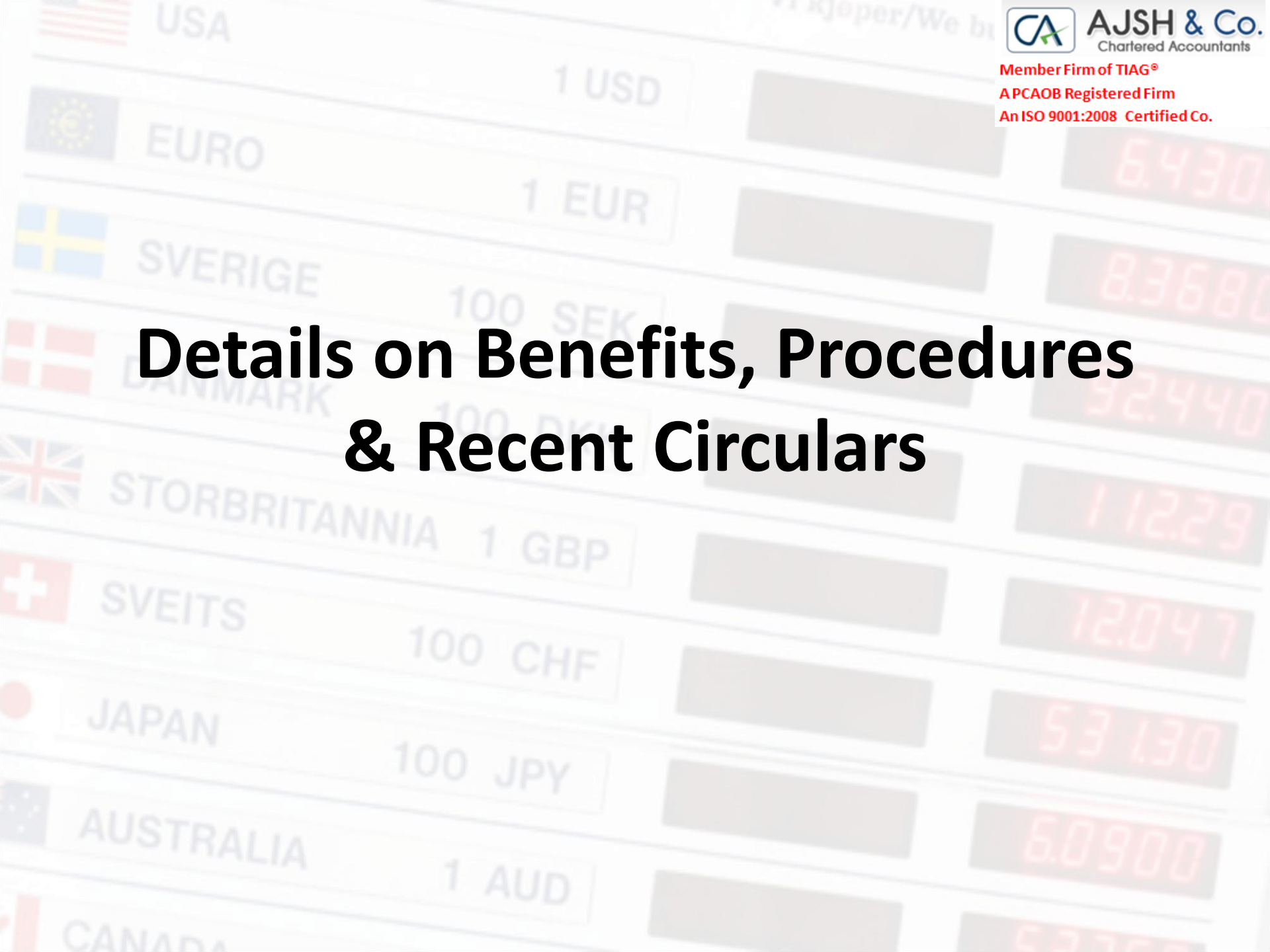
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13	Whether approval from authorized officer has been taken for removal/Discard of capital goods	Continues Reviewing Process	Perform Review on your behalf
14	Are there any Capital goods which has been procured from other units in same SEZs/EOUs/EHTPs/STPs	Continues Reviewing Process	Perform Review on your behalf
15	Whether Prior Approval of specified officer taken in case of good removed or given on Loan to other SEZ Unit.	Continues Reviewing Process	Perform Review on your behalf
16	Whether movement of goods from processing area to Non processing area or processing area of other SEZ is serially numbered and pre authenticated by Specified person of company	Continues Reviewing Process	Perform Review on your behalf
17	Whether List of Persons as authorized by Development Commissioner is available at Unit	Continues Review of Personal List maintained	Perform Review on your behalf
18	Whether Identity Card as per Form K specified in SEZ Rules is issued to authorized personnel	Monthly Review	Perform Review on your behalf
19	Whether Periodicity of I Card exceeds 5 years	Continues monthly Review of Personal Registers	Perform Review on your behalf

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20	Whether BoE is attached when export benefit claimed when procured from DTA or Imported Goods.	Continues Reviewing Process	Perform Review on your behalf
21	Whether refund of benefits made if goods not utilized within time period specified	Continues Reviewing Process	Perform Review on your behalf
22	Whether Temporary Removal of goods done on the basis of challan pre authenticated by authorized person of company	Continues Reviewing Process	Perform Review on your behalf
23	Whether Security measures as specified by Board of Approval is taken	Continues Reviewing Process	Perform Review on your behalf
24	As per RBI Guidelines, an Exchange earner is eligible to retain all future forex earnings to the extent of 50% in non Interest bearing EEFC Accounts. The balance is to be surrendered for conversion into Indian rupees balance. Whether complied with?	On or before the last day of the succeeding calendar month.	Opening an EEFC account on your behalf
25	A Registered SEZ Unit should have Net foreign exchange earnings (NFE) for the period of Five years from the date of commencement of business. Whether Foreign Exchange earnings is calculated considering the applicable guidelines.	Net Foreign Exchange Earning is to be calculated on monthly basis.	Helping you to calculate and monitor Net foreign exchange earnings.

Details on Benefits, Procedures & Recent Circulars



Customs and Excise

- **SEZ Units are free to import from the domestic sources without paying any duty on capital goods, raw materials, consumables, spare, packing materials, office equipment, DG sets, etc. for implementation of their project in the zone without any license or specific approval. Good which are imported duty free could be utilized over the approval period of 5 years.**
- **Sales to DTA (Domestic Tariff Area) by SEZ units is always regarded as import and is subject to all normal import duties, including Countervailing Duty, SAD, etc.**
- **SEZ Units are free from the periodic examination by Customs of export and import cargo.**
- **SEZ units may sub-contract a part of their production through units in DTA/SEZ/EOU/EPZ with the permission of the customs authorities. Sub-contracting may also be permitted for processing abroad with the permission of the board of approval.**

Income Tax Incentives for SEZ units

- Tax exemption for SEZ units engaged in manufacture or providing services- A new section 10AA has been introduced in the IT Act by SEZ Act, 2005 which provides that the units in SEZ which start manufacturing or producing articles/ things or which start providing services on or after April 1, 2005 will be eligible for a deduction of 100 percent of export profits for the first five years from the year in which such manufacture/ provision of services commences and 50 percent of the export profits for the next five years. Further, for the next five years a deduction shall be allowed of upto 50 percent of the profit as is debited to the profit and loss account and credited to the Special Economic Zone Reinvestment Reserve Account (subject to conditions).
- Tax exemption for Offshore Banking units in SEZ- A deduction in respect of certain incomes would be allowed under the new section 80LA, to scheduled banks or foreign banks having an Offshore Banking unit in SEZ or to a unit of IFSC. The deduction shall be for 100 percent of income for five consecutive years beginning from the year in which permission/ registration has been obtained under the Banking Regulation Act or the SEBI Act or any other relevant law and 50 percent of income for next five years.
- Interest received by non-residents and not ordinary residents on deposits made with an Offshore Banking Unit on or after April 1, 2005 shall be exempt from tax.
- Exemption from Minimum Alternate Tax ("MAT")- Income arising or accruing on or after April 1, 2005 from any business carried on, or services rendered by SEZ unit would be exempt from MAT under section 115JB.
- Exemption from Capital Gains- Capital gains arising on transfer of assets (machinery, plant, building, land or any rights in buildings or land) on shifting of the industrial undertaking from an urban area to any SEZ would be exempt from capital gains tax. The exemption would be allowable if within one year before or three years after such transfer:
 - Machinery or plant is purchased for the purposes of business of industrial undertaking in SEZ by the assessee.
 - Assessee has acquired land or building or has constructed building for the purposes of business in SEZ.
 - The original assets are shifted and establishment of the industrial undertaking is transferred to SEZ; and other specified expenses are incurred.
 - The amount of exemption for capital gains would be restricted to the costs and expenses incurred in relation to all or any of the purposes mentioned above.

FDI's/OBU'S/ECB'S

- Foreign Direct Investments
- 100% FDI is freely allowed in manufacturing sector in SEZ units under automatic route, except arms and ammunition, explosive, atomic substance, narcotics and hazardous chemicals, distillation and brewing of alcoholic drinks and cigarettes, cigars and manufactured tobacco substitutes.
- No cap of foreign investments for SSI reserved items.
- Off-Shore Banking Units (OBUs)
- Setting up of OBUs allowed in SEZs.
- OBUS are entitled for 100% income tax exemption for 3 years and 50% for next 2 years.
- Banking / External Commercial Borrowings (ECBs)
- ECBs by units up to US\$ 500 million a year allowed without any maturity restrictions.
- Freedom to bring in export proceeds without any time limit.
- Flexibility to keep 100% of export proceeds in EEFC account and freedom to make overseas payment from such account.
- Exemption from interest rate surcharge on import finance.
- SEZ units allowed to write-off unrealized export bills.
- Exemption from interest rate surcharge on import finance.

Service Tax and Sales to DTA

- **Service Tax**

- Exemption from service tax to SEZ units.

- **Sales to DTA**

- DTA sales can be undertaken subject to achievement of positive NFE. Net Foreign Exchange (NFE) shall be calculated cumulatively for a period of 5 years from the commencement of commercial production.

- For the purpose of calculation, the value of imported capital goods shall be amortized as follows -

- 1st – 2nd year: 5% each year.
- 3rd – 5th year: 10% each year.
- 6th – 8th year: 20% each year

- Exemption from capital gains on transfer of an industrial unit from urban area to a SEZ.

- Drawback or such other benefit as may be admissible from time to time on goods and services admitted from the DTA for setting up, operation and maintenance of units.

- All exports from the DTA to the Zone shall be exempt from state and local body taxes or levies as (In some states, exports made to educational institutions, hospitals, hotels, residential and / or commercial complexes, leisure and entertainment facilities or any other facilities as may be notified by the state government are not exempt).

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- Developers of SEZs may import or procure goods from DTA without payment of duty for development, operation or maintenance of SEZ.
- Exemption from Central Sales Tax (CST) on supply of goods from the DTA for development, operation and maintenance of SEZs.
- Income tax exemption for a block of 10 years in the first 15 years of operation.
- Drawback or such other benefits as may be admissible from time to time on supply of goods from DTA for development, operation and maintenance of SEZs.
- Investment income in the form of dividends, interest or long term capital gains, of an infrastructure capital company from investments made in an enterprise engaged in the development, operation or maintenance of a SEZ are exempt from tax.
- Foreign investment permitted.
- Service tax exemption on services provided to a developer or to a unit located in the SEZ region.
- Any activity or transaction in the Zone, which is liable for entertainment duty under the Bombay Entertainments Duty Act, 1923 and Luxury Tax under the Maharashtra Tax on Luxuries Act, 1987 shall not be liable to such tax The fiscal benefits shall be applicable for a period of 25 years from the date of notification of the zone by the Government of India or such extended period as may be decided by the State Government

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- With respect to each Special Economic Zone all such transactions between the Zones or within the Zone or both, including the transactions of land acquisition for development of the Zone between the developer or co-developer and land owners and land transactions between the developers or co-developers and the units, carried out after declaration of the Zone by the Government of India, shall be exempt from the following State taxes, cess and levies namely:
 - Purchase tax, Sales tax and Turnover tax
 - Specified sales (Lease tax) in respect of lease of goods
 - Stamp duty for the first transaction between the Developer or co-developer and the land-owner and the first transaction between the Developer or co-developer and the Units
 - Registration fee for the first transaction between the Developer or co-developer and the land-owner and the first transaction between the Developer or co-developer and the Units
 - Land assessment tax
 - Electricity duty and tax (Only for sales to Units in processing area)
 - Water pollution cess
 - Works Contract tax
- State government shall –
 - Provide exemption from electricity duty or taxes on sale of self generated or purchased electric power for use in processing area of an SEZ.
 - Allow generation, transmission, distribution of power within a SEZ subject to the provisions of the electricity act

Environment and Company Act

- Exemptions in Matters Related to Environment
- SEZs permitted to have non-polluting industries in IT and facilities like golf courses, desalination plants, hotels and non-polluting service industries in the Coastal Regulation Zone area.
- SEZ units are exempted from public hearing under Environment Impact Assessment Notification.
- Company Act
- Enhanced limit of INR 2.4 crores per annum is allowed for managerial remuneration.
- Agreement to opening of Regional office of Registrar of Companies in SEZ.
- Exemption from requirement of domicile in India for 12 months prior to appointment as Director.

Drugs & Cosmetics AND Labour Laws

Drugs and Cosmetics

- Exemption from port restriction under Drugs & Cosmetics Rules.
- Sub-Contracting / Contract Farming.
- SEZ units may sub-contract part of production or production process through units in the Domestic Tariff Area or through other [EOU](#) / SEZ units.
- SEZ units may also sub-contract part of their production process abroad.

Labour Laws

- Normal Labour Laws are applicable to SEZs, which are enforced by the respective State Governments. However, State Governments have been requested to simplify the procedures / returns and for introduction of a single window clearance mechanism by delegating appropriate powers to Development Commissioners of SEZ.

Recent Circulars

Notification

<u>Notification Date</u>	<u>Notification No</u>	<u>Subject</u>	<u>Issuing Authority</u>	<u>Title</u>
11-06-2013	RBI/2012-13/527 A. P. (DIR Series) Circular No.108	SEZ	RBI	<u>Export of Goods and Services - Realization and Repatriation period for units in Special Economic Zones (SEZ)</u>
01-01-2013	RBI/2012-13/359 A. P. (DIR Series) Circular No.66	SEZ	RBI	<u>Export of Goods and Services - Simplification and Revision of Softex Procedure at SEZs</u>
23-10-2012	RBI/2012-13/259 A. P. (DIR Series) Circular No.46	SEZ	RBI	<u>Supply of Goods and Services by Special Economic Zones (SEZs) to Units in Domestic Tariff Areas (DTAs) against payment in foreign exchange</u>
31-05-2012	DGFT Policy Circular No 66(RE-2010)/2009-14	SEZ	DGFT	<u>File applications for 9 SEZ port codes.</u>
18-05-2012	DGFT Policy Circular No 65(RE-2010)/2009-14	SEZ	DGFT	<u>Treatment of Capital Goods sourced from SEZ and import of spares for such Capital Goods under EPCG Scheme - Para 5.2A of FTP-reg.</u>
16-05-2012	DGFT Policy Circular No 64(RE-2010)/2009-14	SEZ	DGFT	<u>File applications for 58 SEZ ports codes.</u>
24-04-2012	DGFT Policy Circular No 59(RE-2010)/2009-14	SEZ	DGFT	<u>File applications for 53 SEZ ports codes -reg.</u>

RBI/2012-13/527 A. P. (DIR Series) Circular No.108

Reserve bank of India
A.P. (DIR Series) Circular No. 108

June 11, 2013

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Export of Goods and Services-Realization and Repatriation period for units in Special Economic Zones (SEZ)

Attention of Authorized Dealer banks is invited to A. P. (DIR Series) Circular No. 91 dated April 1, 2003. In terms of provisions of Para A of the said circular, time limit for realization and repatriation of export proceeds, for the exports made by units in Special Economic Zones (SEZs), was done away with.

2. It has now been decided that the units located in SEZs shall realize and repatriate, full value of goods/software/services, to India within a period of twelve months from the date of export. Any extension of time beyond the above stipulated period may be granted by Reserve Bank of India, on case to case basis.
3. The above changes will be applicable with immediate effect and shall be valid for one year, subject to review.
4. Necessary amendments to Notification No.FEMA.23/RB-2000 dated May 3, 2000 [Foreign Exchange Management (Export of Goods and Services) Regulations, 2000] have been issued vide Notification No.FEMA.273/2013-RB dated April 25, 2013 and notified vide G.S.R.No.342(E) dated May 29, 2013.
5. AD Category - I banks may please bring the contents of this Circular to the notice of their constituents and customers concerned.
6. The directions contained in this circular, have been issued under Section 10(4) and 11(1) of Foreign Exchange Management Act, 1999 (42 of 1999) and without prejudice to permissions / approvals, if any, required under any other law.

RBI/2012-13/359 A. P. (DIR Series) Circular No.66

Export of Goods and Services - Simplification and Revision of Softex Procedure at SEZs

Attention of the Authorised Dealer Banks is invited to Regulation 6 of the Notification No. FEMA 23/2000-RB dated May 3, 2000 viz. Foreign Exchange Management (Export of Goods and Services) Regulations, 2000, as amended by the Notification No.FEMA.36/2001-RB dated February 27, 2001, in terms of which designated officials of the Ministry of Information Technology/ Ministry of Commerce and Industry(as the case may be), Government of India at the Software Technology Parks of India (STPIs) or at Free Trade Zones (FTZs) or Export Processing Zones (EPZs) or Special Economic Zones (SEZs), had been authorized to certify exports declared through SOFTEX Forms.

2. A revised Softex procedure was first introduced at the 5 designated centres of STPIs from April 1, 2012 vide A.P. (DIR Series) Circular No.80 dated February 15, 2012 and subsequently extended to all STPIs in India vide A.P. (DIR Series) Circular No.47 dated October 23, 2012.
3. It has now been decided to implement the revised Softex procedure at all SEZs/EPZs/100%EOU/DTA also with immediate effect.
4. As per the revised procedure, a software exporter either under STPIs or SEZs/EPZs/100%EOU/DTA, whose annual turnover is at least Rs.1000 crore or who files at least 600 SOFTEX forms annually on all India basis, will be eligible to submit statements in revised excel format sheets as per enclosed Annexures A & B. All other terms and conditions mentioned in the A.P. (DIR Series) Circular No.80 dated February 15, 2012 applicable to exporters of software situated in STPIs would remain unchanged.
5. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.
6. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,
(Rashmi Fauzdar)
Chief General Manager
RBI/2012-13/359

RBI/2012-13/259 A. P. (DIR Series) Circular No.46

Supply of Goods and Services by Special Economic Zones (SEZs) to Units in Domestic Tariff Areas (DTAs) against payment in foreign exchange

Attention of the Authorised Dealer (AD) Category - I banks is invited to A.P. (Dir Series) Circular No.105 dated June 16, 2003, in terms of which units in the Domestic Tariff Areas (DTAs) have been permitted to purchase foreign exchange from ADs for making payment towards goods supplied to them by units in the Special Economic Zones (SEZs).

2. The matter has since been reviewed in consultation with the Ministry of Commerce and Industry, Government of India and it has been decided to allow ADs to sell foreign exchange to a unit in the DTA for making payment in foreign exchange to a unit in the SEZ for the services rendered by it (i.e. a unit in SEZ) to a DTA unit. It may, however, be ensured that there is an enabling provision of supplying these goods/services by the SEZ unit to the DTA unit and for payment in foreign exchange for such goods/ services to the SEZ unit, in the Letter of Approval (LoA) issued to the SEZ unit by the Development Commissioner(DC) of the SEZ.
3. AD Category - I banks may bring the contents of this circular to the notice of their constituent and customers concerned.
4. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,
(Rashmi Fauzdar)
Chief General Manager
RBI/2012-13/259

DGFT Policy Circular No 66(RE-2010)/2009-14

Sub:- File applications for 9 SEZ port codes - reg.

Director General (Systems) have accorded SEZ port codes to the following 9 SEZs which have been uploaded on DGFT's website:-

Sl.No	Location code / Name of new SEZ Port	LOCODE (SEZ Port) Codes)	State
1	MIDC SEZ/AURANGABAD (Maharashtra Industrial Development Corporation)	IN AWM 6	Maharashtra
2	MIDC SEZ/NANDED (Maharashtra Industrial Development Corporation)	IN DID 6	Maharashtra
3	MIDC SEZ/PUNE (Maharashtra Industrial Development Corporation)	IN PUM 6	Maharashtra
4	NMSPL SEZ/RAIGAD (Navi Mumbai SEZ Pvt. Ltd.)	IN KLE 6	Maharashtra
5	MIDC SEZ/KESURDE (Maharashtra Industrial Development Corporation)	IN STU 6	Maharashtra
6	IIIL SEZ/SINNAR (Indiabulls Industrial Infrastructure Ltd.)	IN NKI 6	Maharashtra
7	MIDC PHALTAN SEZ/SATARA (Maharashtra Industrial Development Corporation)	IN STM 6	Maharashtra
8	MSFPL SEZ/PUNE (Manjri Stud Farm Pvt. Ltd.)	IN PNU 6	Maharashtra
9	WIDL SEZ/AURANGABAD (Wockhardt Infrastructure Development Ltd.)	IN AWW 6	Maharashtra

2. Applicants may file applications using these codes in DGFT server wherever required under the provisions of Foreign Trade Policy 2009-14 / SEZ Act and Rules.

3. This issues with the approval of the DGFT.

(Rajiv Arora)
 Joint Director General of Foreign Trade
 Tel: 23061573
 E-mail - rajiv.arora@nic.in
 (Issued from File No.01/02/31/AM-06/EDI)

DGFT Policy Circular No 65(RE-2010)/2009-14

Policy Circular No. 65 (RE-2010)/2009-14

Dated 18/05/2012

To,

All Regional Offices of DGFT

Subject: Treatment of Capital Goods sourced from SEZ and import of spares for such Capital Goods under EPCG Scheme - Para 5.2A of FTP- reg.

Kind attention is invited to [Policy Circular No. 54 dated 23.02.2012](#). A question has arisen whether the Capital Goods sourced from Special Economic Zone (SEZ) would be treated as 'imported goods' and whether spares for such Capital Goods may be imported under the EPCG Scheme - Para 5.2A of FTP.

2. The matter has been examined and it is clarified that Capital Goods sourced from SEZ are treated as 'imported goods'. Hence, EPCG Scheme-under Para 5.2A is available for import of spares for such imported Capital Goods (i.e. sourced from SEZ) with reduced EO. Besides this, EPCG Authorization for "Spares" is also allowed under Para 5.2 {as clarified in Policy Circular No. 12 dated 17.01.2011 (Point No. 2)}.

3. This issues with the approval of Director General of Foreign Trade.

(Rita Mahna)
Deputy Director General of Foreign Trade
Tel. No. +91 11 2306 1562/Ext. 288
E-mail: r.mahna@nic.in
(Issued from File No. 01/36/218/11/AM-13/EPCG-I)

Notification No. 12 / 2013-Service Tax

G.S.R.....(E).—In exercise of the powers conferred by sub-section (1) of section 93 of the Finance Act, 1994 (32 of 1994) (hereinafter referred to as the said Act) read with sub-section 3 of section 95 of Finance (No.2), Act, 2004 (23 of 2004) and sub-section 3 of section 140 of the Finance Act, 2007 (22 of 2007) and in supersession of the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 40/2012-Service Tax, dated the 20th June, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 482 (E), dated the 20th June, 2012, except as respects things done or omitted to be done before such supersession, the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby exempts the services on which service tax is leviable under section 66B of the said Act, received by a unit located in a Special Economic Zone (hereinafter referred to as SEZ Unit) or Developer of SEZ (hereinafter referred to as the Developer) and used for the authorised operation from the whole of the service tax, education cess, and secondary and higher education cess leviable thereon.

Our Location

The headquarters of AJSH is located in Delhi, India. Besides this AJSH has presence all over India and United States of America through its branches / associates / affiliates.



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