

## **FAQs on SEZ**

### **1. What is a Special Economic Zone (SEZ)?**

A Special Economic Zone is a specifically delineated duty-free enclave treated as a foreign territory for trade operations, duties, and tariffs. It is governed by the SEZ Act, 2005 and SEZ Rules, 2006 and aims to promote exports, attract investment (both domestic and foreign), generate employment, and develop infrastructure.

### **2. What is the legal framework for SEZs in India?**

The functioning of SEZs is governed by:

- The Special Economic Zones Act, 2005 (came into effect on 10th February 2006)
- The Special Economic Zones Rules, 2006 (notified on 10th February 2006) These provide the legislative framework for establishment, operation, incentives, monitoring, and exit of SEZ units and developers.

### **3. Who can propose to establish an SEZ?**

Any person (including an individual, firm, company, or government body) or State Government or its agency can make a proposal for setting up an SEZ to the Board of Approval (BoA) through the concerned State Government.

### **4. What types of SEZs can be established?**

- Multi-product SEZs
- Sector-specific SEZs (e.g., IT/ITES, Biotech, Textiles)
- Free Trade Warehousing Zones (FTWZs)
- SEZs for specific services (e.g., Gems & Jewellery, Health services)

### **5. What is the minimum land requirement to set up an SEZ?**

- Multi-product SEZ: 50 hectares
- Sector-specific SEZ: 25 hectares
- No minimum land for IT/ITES, Biotech, and Health services; instead, built-up area requirements apply based on city category (A/B/C).

### **6. Who are the key stakeholders under SEZ policy?**

- **Board of Approval (BoA):** Apex body to approve SEZ proposals
- **Development Commissioner (DC):** Nodal officer in charge of the zone
- **Approval Committee:** Evaluates and approves SEZ units and operations
- **Developer/Co-developer:** Entity developing SEZ infrastructure
- **SEZ Unit:** Export-oriented manufacturing or service unit in SEZ

### **7. What is the process to establish an SEZ?**

- Submit proposal (Form A) to State Government
- Forwarded to Department of Commerce and placed before BoA

- Once formal approval is granted, developer notifies land as SEZ
- Developer applies for LoA and commences authorized operations

### **8. What is the process for setting up a unit within an SEZ?**

- Submit application in Form F to the Development Commissioner
- Approval Committee evaluates the proposal
- After approval, LoA is issued
- Unit executes Bond-cum-Legal Undertaking
- Unit starts operations upon Customs/SoFTEx registration

### **9. What is a Letter of Approval (LoA)?**

An LoA is the legal permission granted by the Approval Committee:

- To developers for setting up and developing an SEZ
- To entrepreneurs for setting up units in SEZ It contains terms and conditions for operation, validity, NFE obligation, etc.

### **10. What are authorized operations?**

Authorized operations refer to specific activities permitted in an SEZ and approved by BoA, which are eligible for exemptions/concessions. These may include:

- Infrastructure development (roads, power, telecom)
- Processing and manufacturing activities
- Social infrastructure (hostels, hospitals, housing in non-processing area)

### **11. What are the key benefits available to SEZ Units and Developers?**

<b>Benefit Type</b>	<b>Developer</b>	<b>SEZ Unit</b>
Customs Duty	Exemption on goods for SEZ development	Exemption on raw materials, consumables
GST	Supplies treated as zero-rated	Zero-rated supply, refund of ITC
Income Tax	Limited period deduction (phased out)	Section 10AA benefit for first 5 years (100%) and next 5 years (50%)
External Commercial Borrowing (ECB)	Permitted	Permitted (subject to RBI norms)
Other Incentives	Exemption from local levies, simplified compliance	Duty-free import, sub-contracting, fast approvals

### **12. What is Net Foreign Exchange (NFE) obligation?**

Every SEZ unit must maintain a positive NFE, i.e., the total FOB value of exports must be greater than the sum of CIF value of imports over a cumulative period of 5 years.

### **13. Can a unit sell goods in the Domestic Tariff Area (DTA)?**

Yes. SEZ units can sell goods in DTA subject to:

- Following the procedure stipulated under SEZ Rules 2006
- Payment of applicable customs duties

**14. What is the procedure for exit from SEZ Scheme?**

- Submit request for exit to the Development Commissioner
- Pay applicable duties/penalties on imported/procured goods
- APR and NFE compliance reviewed
- Assets may be transferred as per Rule 74

**15. What are the compliance obligations of SEZ Units?**

- Filing of Annual Performance Reports
- Submission of SOFTEX forms (for IT/ITES)
- Bond-cum-Legal Undertaking maintenance
- Adherence to authorized operations and space utilization
- Regular reporting and inspections
- Fulfilment of conditions laid stipulated under SEZ Act 2005 and rules made thereunder

**16. Can a developer appoint a co-developer?**

Yes. Co-developers can be appointed with prior approval from BoA and are eligible for the same fiscal benefits as developers, subject to the scope of approved operations.

**17. What is the duration and validity of approvals?**

- Developer LoA: Valid for 3 years (extendable)
- Unit LoA: Typically valid for 5 years (renewable)

**18. Is dual use of infrastructure in non-processing area allowed?**

Yes, subject to BoA approval. Non-processing area infrastructure may be shared with non-SEZ entities if:

- No SEZ benefits are claimed for shared use
- Proportionate refund of duty exemptions is made if benefits availed

**19. Can SEZ units sub-contract their work?**

Yes. Sub-contracting to DTA or other SEZ/EoU/STP units is permitted under Rule 41 and 42, subject to certain conditions and DC approval.

**20. Where can I get help regarding SEZ operations?**

You may contact the Office of the Development Commissioner of the respective SEZ. For SEEPZ-SEZ:

- Website: [www.seepz.gov.in](http://www.seepz.gov.in)
- Email: [dcseepz-mah@nic.in](mailto:dcseepz-mah@nic.in)