

SEZ Hotline

June 08, 2006

DID YOU MISS THE SEZ BOUND TRAIN?

Pursuant to our Special Economic Zone ("**SEZ**") hotline dated June 1, 2006, pertaining to the proposal for availability of SEZ benefits to Software Technology Park ("**STP**") units, certain developments have taken place in the SEZ saga with the recent meeting on June 6, 2006 of the Empowered Group of Ministers ("**eGoM**") on SEZ.

In consideration of the Finance Ministry's concern that SEZs will promote the proliferation of existing industrial units to relocate to an SEZ to avail of the tax benefits, the eGoM has decided to cap the number of clearances for the new SEZs at 150 during the first six months after the notification of the SEZ Act on February 10, 2006. The eGoM would review the situation once the clearances reach 150 to see whether further clearances can be allowed. Currently there are 69 SEZs that have already been cleared by the Board of Approval ("**BoA**"). Further, the eGoM has decided against relaxing any labor laws in SEZs. However, there has been no indication as to the decision on issues with regard to the extension of the SEZ tax benefits to STP units.

After deliberations on various issues including the suggestions by the Finance Ministry, the eGoM has finally restored the minimum area requirement at 10 hectares for Information Technology ("**IT**"), Gems and Jewellery and Biotech SEZs reversing its earlier decision to completely remove such ceiling. Further the eGoM has also decided to reduce the minimum processing area for multi-product SEZs from 50% to 35% and has retained the minimum area requirement at 1,000 hectares for such SEZs. "Processing area", for the purpose of manufacturing sector, has been defined as manufacturing facilities, through which goods produced are to be exported from the SEZ and in the case of the service sector, it would mean facilities from where such services are exported.

Recently, the Government has released certain statistics, which indicate that the 15 existing and functional SEZs have brought in private investments of approximately USD 490 million and provided employment to 110,000 persons.

In the light of the above statistics, it is certain that the SEZ express is ready to take off, once the initial issues are resolved.

- **Nishchal Joshipura & Nithya Reddy**

Source:

- *The Economic Times (dated June 6, 2006) - "**Processing areas in SEZs to be cut to 35%**" and "**Govt freezes SEZ at 150**".*
- *Business Standard Article (dated June 6, 2006) - "**Mnimum area clause for SEZ restored**"*

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

Research Papers

Structuring Platform Investments in India For Foreign Investors

March 31, 2025

India's Oil & Gas Sector— at a Glance?

March 27, 2025

Artificial Intelligence in Healthcare

March 27, 2025

Research Articles

2025 Watchlist: Life Sciences Sector India

April 04, 2025

Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

Audio

CCI's Deal Value Test

February 22, 2025

Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

Click here to view Hotline archives.

Video

Vyapak Desai speaking on the danger of deepfakes | Legally Speaking with Tarun Nangia | NewsX

April 01, 2025

**Vaibhav Parikh, Partner, Nishith
Desai Associate on Tech, M&A, and
Ease of Doing Business**

March 19, 2025

**SIAC 2025 Rules: Key changes &
Implications**

February 18, 2025