SEZ HORIZON

ISSUE VI

IT SEZ

NEWSROOM

BLOG

ARTICLES

COVER STORY

shiv shakti group
the vision of pure living

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List of Content :

Editorial Desk...

Hello !

New regulations and laws pertaining to Special Economic Zones (SEZ) in India having been taking place for quite some time now. The focus is to regenerate SEZ despite its unspectacular start that did not have much scope to experiment, flexible labor laws other prerequisites to reform measures. The key to success here comes from administrative support and political backing.

Let us have a look at some of the strengths and opportunities of special economic zones in India:-

Strengths

- There is a familiarity with Western concepts of business practices
- There is a well established legal redress system
- Offers relatively low labor prices
- Comprises of India's large English speaking workforce
- Has a huge, evolving large and growing domestic market

Opportunities

- To use SEZs in order to catalyze infrastructure development
- Establish realistically a competitive edge for SEZs
- A huge NRI base who have invested less in Indian Greenfield development
- Tapping the benefits of WTO and increase India's small share of global trade
- To maximize investments in core strength areas such as IT and software products and services

There has been numerous engineering services company that has contributed to the growth of special economic zones in India.

- Related Coverage
- Global Engineering Services and SEZ Benefits in India
- SEZ Benefits and Expansion in India
- Engineering Enterprise Contributing In Indian SEZ
- SEZ Benefits and Aerospace Manufacturing Enterprises

To mention one would be the Precision Engineering and Manufacturing SEZ unit in Belgaum. This acts as a foundation for foundry operations for various industrial and automotive facilities. More than 100 foundries are present here along with 150 machine shops. Simultaneously, there is the availability to skilled labor at a competitive price range and adds to its credibility. This particular engineering SEZ provides an organic,

sustainable and environment friendly industrial development. Selected SEZ benefits and incentives are:-

- There is international standard landscaping with approximately 15,000 trees
- There are bicycles for intra-zone mobility
- A proper landscape with a huge amphitheatre visible and available from total campus
- Has rain water harvesting
- Provides a water treatment plant
- Provides a sewage treatment plant
- An existing small stream is being converted to a natural water body

Therefore, with the above mentioned facts in mind one can say that the major SEZ benefit lies in economic growth and industrial promotion through sustainable development. In addition to that, the initial policy states that Indian SEZ units will be allotted tax rebates, fiscal incentives and lands and subsidized rates. Today various works are being carried on in line with these policies and clauses.

Thanks and regards,
Debarati Chakraborty
Editor-in-chief, SEZ Horizon

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" SEZs – A Note on the Service Tax Refund mechanism under New Service Tax Regime "

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In the year 2012, service tax law in our country is attaining the age of 'majority' and coinciding with this age of majority, the legislation governing service tax is all set to get a makeover from July 1, 2012 by a broadening of the tax base to bring in all the 'services' and by statutorily declaring certain activities as 'taxable services'. The new tax regime also provides for certain specific exemptions/abatements to a few services and introduces the concept of negative list of services.

To achieve this object, certain key amendments are made in Chapter V of the Finance Act, 1994 ('FA 1994') by virtue of s.143 of the Finance Act, 2012 ('FA 2012') whereby the existing provisions of sections 65, 65A, 66, 66A of FA 1994 will fade into oblivion with effect from July 1, 2012 and in their place sections 65B, 66B, 66C, 66D, 66E and 66F will come into vogue. The most significant amongst all the changes is the Parliament's endeavour to define the word 'service' in the new service tax regime for the first time, which was never attempted before in the last eighteen years of this legislation's existence.

Briefly adverting to the new provisions of service tax legislation, it may be noted that hitherto s. 65 provided for 'definitions' of certain words/phrases while the new s. 65B provides for 'interpretation' of certain words/phrases. While s. 65A provided for provisions dealing with 'classification' of taxable services, the new s. 66F provides for principles of interpretation of specified descriptions of services or bundled services.

And s. 66 was hitherto the charging section and now this is replaced by the new s. 66B. Lastly, while s. 66A hitherto provided for levy of service tax by way of reverse charge mechanism, in the new regime s. 66C is introduced which provides for a complex mechanism to determine the place of provision of services with a set of specific rules to be put in place with effect from July 1, 2012 [Notification No. 28/2012-ST dated June 20, 2012 issued to notify the Place of Provision of Services Rules, 2012 ('POP Rules')].

In addition to the above changes, the Central Government has also brought in the concept of negative list of services through the new s. 66D and identified a set of 'declared' services through the new s. 66E. The Finance Minister released a Guidance Paper explaining the various concepts introduced in the new service tax regime which is going to be effective from July 1, 2012.

Having outlined the broad contours of the new service tax regime, I shall now advert to the crux of this article which is the concept of 'refund of service tax' paid on taxable services availed by a Unit in a Special Economic Zone ('SEZ') or a Developer of SEZ.

It may be noted that s. 26(e) of the Special Economic Zones Act, 2005 ('SEZ Act') provides for exemption from service tax under Chapter V of FA 1994 on taxable services provided to a Developer of SEZ or Unit in a SEZ to carry on the authorised operations in a SEZ. Further, Rule 31 of the Special Economic Zone Rules, 2006 ('SEZ Rules') provides for exemption from payment of service tax on taxable services under s. 65 of FA 1994 rendered to a Developer of SEZ or a Unit in a SEZ (including a Unit under construction) by any service provider for their authorized operations in the SEZ.

At the outset, I would like to bring to the kind attention of the authorities concerned in the Ministry of Commerce, Government of India that, with effect from July 1, 2012, s. 65 of FA 1994 will no more be available on the statute and in its place a host of other provisions are being put in place (as briefly narrated in the foregoing paragraphs) and therefore, Rule 31 of the SEZ Rules requires an immediate amendment to align with the new service tax regime put in place by the Finance Ministry.

As stated above, s. 26(e) of the SEZ Act read with Rule 31 of the SEZ Rules clearly provides for an exemption from levy of service tax on taxable services rendered to a Unit or a Developer of SEZ by any service provider for their authorized operations in the SEZ. This exemption from levy of service tax is granted by the Ministry of Finance, Government of India by way of a new Notification No. 40/2012-ST dated June 20, 2012 which will be effective from July 1, 2012 (till June 30, 2012 the current exemption Notification No. 17/2011-ST dated March 1, 2011 applies). Notification No. 40/2012-ST dated June 20, 2012 shall supersede the existing Notification No. 17/2011-ST dated March 1, 2011.

Notification No. 40/2012-ST dated June 20, 2012 exempts the services on which service tax is leviable under s. 66B of FA 1994 and received by a Unit located in a SEZ or a Developer of SEZ and used for their authorized operations, from the levy of service tax, education cess and secondary and higher education cess. This exemption shall be provided by way of refund subject to the fulfilment of conditions and procedure prescribed in the said Notification.

However, where the specified services received in the SEZ and used for the authorized operations are wholly consumed within the SEZ, the person liable to pay service tax has the option not to pay the service tax *ab initio* and spare the Unit in a SEZ or a Developer of SEZ from the hassles of claiming the exemption by way of a refund in terms of this notification.

The Notification stipulates that the meaning of the phrase 'wholly consumed' is governed by the POP Rules. If the specified services received by the Unit in a SEZ or a Developer of SEZ are not wholly consumed within SEZ, the maximum refund shall be subject to the formula prescribed in the said Notification. As per the formula, the maximum refund shall be to the extent of the ratio of export turnover of goods and services multiplied by the service tax paid on services (other than wholly consumed services) to the total turnover for the given period to which the claim relates.

The other important conditions stipulated in the said Notification are:

a) The Unit in a SEZ or a Developer of SEZ shall obtain a list of services that are liable to service tax as are required for the authorised operations ('specified services') approved by the Approval Committee of the SEZ concerned.

b) For claiming *ab initio* exemption, the Unit in a SEZ or a Developer of SEZ shall furnish a declaration in Form A-1 appended to this Notification and verified by the Specified Officer of the SEZ in addition to the list specified above. The Unit in a SEZ or a Developer of SEZ who does not own or carry on any business other than the operations in SEZ, shall declare to that effect in said Form A-1.

c) A Unit in a SEZ or a Developer of SEZ who is registered as an assessee under the Central Excise Act, 1944 ('CEA 1944') or the Rules made thereunder, or the FA 1994 or the Rules made thereunder, shall file the refund claim with the Assistant/Deputy Commissioner of Central Excise having jurisdiction over the SEZ or registered office or the head office of the SEZ Unit or SEZ Developer, in Form A-2 appended to this Notification.

d) The Unit in a SEZ or a Developer of SEZ who is not so registered under CEA 1994 or FA 1994 shall, before filing a refund claim under this notification, file a declaration with the Assistant/Deputy Commissioner of Central Excise having jurisdiction over the SEZ or registered office or the head office of the SEZ unit or Developer, in Form A-3 appended to this Notification.

e) The Assistant/Deputy Commissioner of Central Excise shall, after due verification, allot a service tax code number to the unregistered SEZ Unit or Developer of SEZ within seven days from the date of receipt of the said declaration in Form A-3.

f) The Unit in a SEZ or a Developer of SEZ claiming the exemption by way of refund, should have paid the amount indicated in the invoice, bill or challan, including the service tax payable, to the person liable to pay the said tax, or the amount of service tax payable under reverse charge in terms of the relevant provisions of FA 1994.

g) No CENVAT credit of service tax paid on the specified services used for the authorised operations in a SEZ is availed under the CENVAT Credit Rules, 2004.

The Notification further stipulates that the refund claim shall be filed within one year from the end of the month in which actual payment of service tax was made by such Developer or Unit to the registered service provider or within such extended period as the Assistant/Deputy Commissioner of Central Excise shall permit in this regard.

The refund claim shall be accompanied by the following documents:

a) A copy of the list of specified services required for the authorized operations in the SEZ, as approved by the Approval Committee (wherever applicable, a copy of the declaration made in Form A-1).

b) An invoice or a bill or a challan, issued in accordance with the provisions of FA 1994 or Rules made thereunder, in the name of the Unit of a SEZ or a Developer of SEZ, by the registered service provider, along with original documents showing proof of payment for such specified services used for the authorised operations and service tax paid thereon.

c) A declaration by the Unit in a SEZ or a Developer of SEZ to the effect that –

   i. the specified services on which refund of service tax claimed, has been used for the authorized operations in the SEZ;

   ii. a proper account of the specified services received and used for the authorised operations are maintained by the Developer or Unit of the SEZ and the same shall be produced to the officer sanctioning refund, on demand;

iii. accounts or documents furnished by the Unit of a SEZ or Developer of SEZ as proof of payment of service tax claimed as refund, based on the invoice, or bill, or challan issued by the registered service provider indicating the service tax paid on such specified services, are true and correct in all respects.

After proper verification of the refund claim supported by the prescribed documents and accounts submitted along with the claim, the Assistant/Deputy Commissioner of Central Excise shall grant the amount claimed as refund. While it may be noted that the Notification provides for recovery of erroneous refund and such recovery shall be made in terms of the relevant provisions of FA 1994 [i.e. in terms of s. 73(1) of FA 1994], it does not specify the time limit within which the Assistant/Deputy Commissioner of Central Excise is supposed to sanction the said refund. The authorities concerned in the Finance Ministry/CBEC are requested to suitably amend this Notification so as to provide that the refund mechanism shall be governed by the provisions of sections 11B and 11BB of CEA 1944 as is made applicable to service tax refunds by virtue of s. 83 of FA 1994.

" SPECIAL ECONOMIC ZONES (SEZS) IN INDIA: AN INDEX-BASED CRITICAL PERSPECTIVE "

The enforcement of the Indian Special Economic Zone (SEZ) Act in 2005 has seen a large number developers applying for SEZ Approvals. Touted as engines of economic growth, SEZs have created quite a stir in the country in the past 4 years, raising several issues including adequacy of the provisions of the Act. The application goes through an in-principle approval which is followed by acquisition of land that leads to the final notification. We have seen that it may take close to 3 years from the application stage to final notification of an SEZ. [i]Other issues include the size of the SEZ (huge chunks or smaller pieces of land), location (coastal or landlocked) and the relative role of the State against the Centre. Land acquisition has become the biggest obstacle to the successful implementation of the SEZ policy, accentuated by the scars of Nandigram and Singur. In this context, is our SEZ policy robust? If not, where does the gap lie? Is it in the conceptualization, implementation or governance?

Different states have different SEZ stories to tell. While some have done exceedingly well, others seem to be going nowhere. Does the history of industrial development in the state determine, to any extent, the success of SEZs in that state?[ii] With each state coming up with its own SEZ policy [iii], we have ventured to rank these states on an index based continuum that is constructed based on certain key parameters that could be used to evaluate the performance of SEZs. The ranking that results has later been compared with other traditional parameters such as the Gross State Domestic Product(GSDP) growth rates in the state and the level of investment in industrial infrastructure. The political economy of the state may also have a miniscule yet prominent role to play in the success of SEZs.

Framework of the State SEZ Policy Index

The States SEZ Acts and Policies were ranked on a common index and compared. The steps followed for creating the index are:

Step 1 Frame the broad parameters of the index and sub-parameters

Step 2 Allocate weightages for the sub-parameters to obtain the parameter score

Step 3 Allocate weightages for each of the parameters to obtain the index score

Step 4 Rate / score each state's SEZ Act/Policy on the parameters and sub parameters to obtain the overall index score for each state

Step 5 Rank the State SEZ Policies based on the Score

The following parameters and sub-parameters have been used for evaluating the state SEZ Policies:

- Business Incentives
  - Fiscal Benefits
  - Provision of infrastructure facilities
  - Electricity distribution license & duty exemption
  - Freedom to charge tariff for services
- Institutional Procedures and Transparency
  - Comprehensiveness of the Proposal
  - Approval Process
  - Single Window Clearance
  - Institutional procedures for SEZ operation and development
- Environmental considerations
- Social Sustainability
  - Labour Laws
  - Employment Opportunities
  - Land Acquisition
  - Resettlement and Rehabilitation

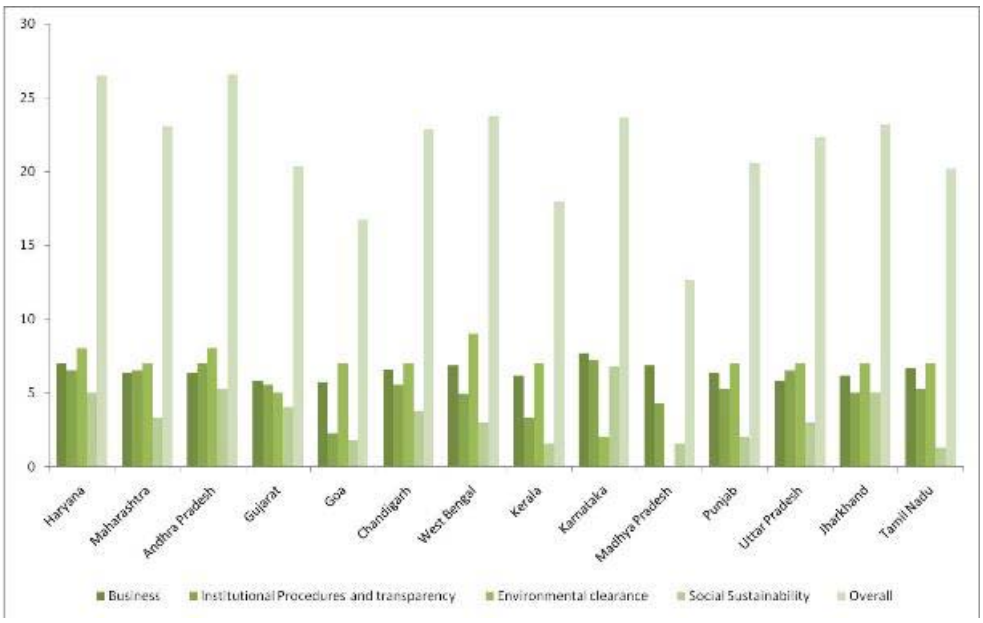
Scoring Methodology

The following methodology was adopted for scoring the states on the above-mentioned SEZ Policy Index:

States are evaluated on each of the sub-parameters on a scale of 10. The cumulative score on each parameter is calculated as a weighted average of the sub-parameter scores. Only for the parameter of Business Incentives, a varying weight is provided to the sub-parameters. The weights given are Fiscal Benefit (2), Provision of infrastructure facilities (2), Electricity distribution license & duty exemption (1) and Freedom to charge tariff for services (1). These weights have been whetted with some SEZ expert researchers in India. For all other parameters, a simple average of the sub-parameters is taken. So each of the 4 parameters have a score out of 10.The 4 parameter scores are added to get the overall index score of the State SEZ Policy.

For some states, it may be relevant to add special sub-parameters under one of the main parameters to present a holistic view of that state's SEZ policy. For example, the states of Goa, Chandigarh and Jharkhand give special importance to IT/ ITeS. For these states, SSI and/or IT registration tax exemption criteria is mentioned in the policy. Similarly for West Bengal, there is a Fund of SEZ Authority and separate directives for maintenance of accounts. For all these special cases, these are added as sub-parameters and given half the weight while calculating the parameter index, on a state-by-state basis. The states' scores are in Exhibit 1.

***Exhibit1* Graphical Representation of the Index Scores for the 14 states**



State Wise Disparity in SEZ Approvals

Exhibit 2 illustrates the state wise distribution of the number of In-principle approvals, Formal approvals and Notified SEZs as on 13.05.09 and clearly illustrates the disparity in the same.

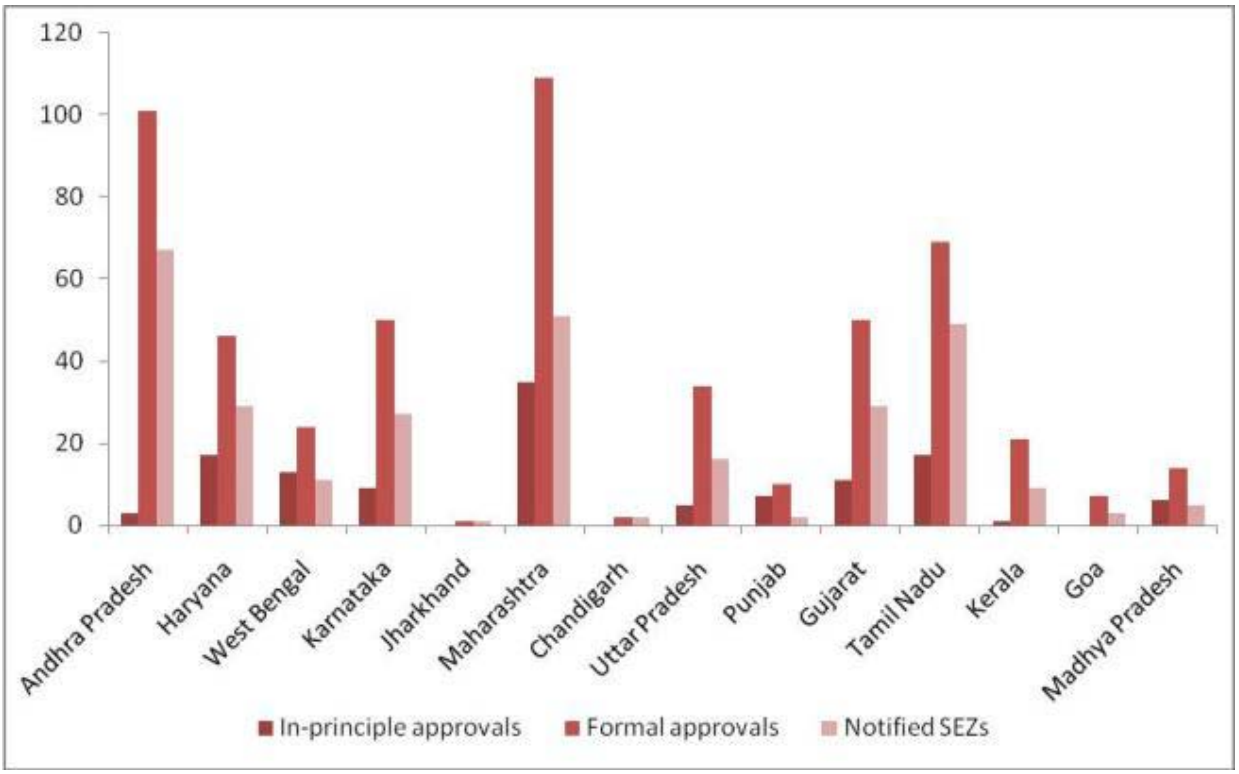


***Exhibit 2* State wise distribution of SEZ Approvals[iv]**

Next, we tried to see if the difference in the number of notified SEZs in the states can be explained by our Policy Index Ranking. This can be seen in Exhibit 3 that plots both the SEZ and the index rankings of the 14 states.

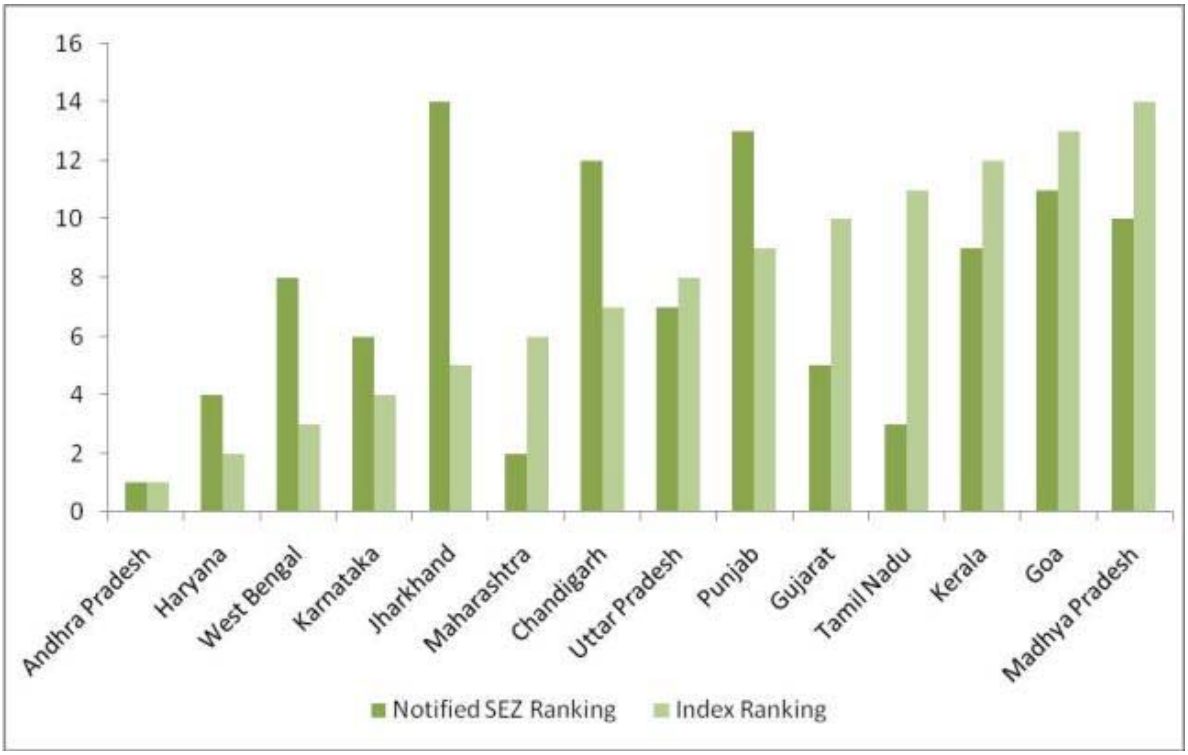


Exhibit 3 Comparison of Notified SEZ Ranking and Index Ranking

The above analysis shows that the comprehensiveness and the effectiveness of the State SEZ Policy can explain the growth of SEZs in the states to some extent. But it also lends credence to the argument that there could be other factors which drive the growth of SEZs in the states. The business environment and the level of industrialization in the state may be some of these factors.

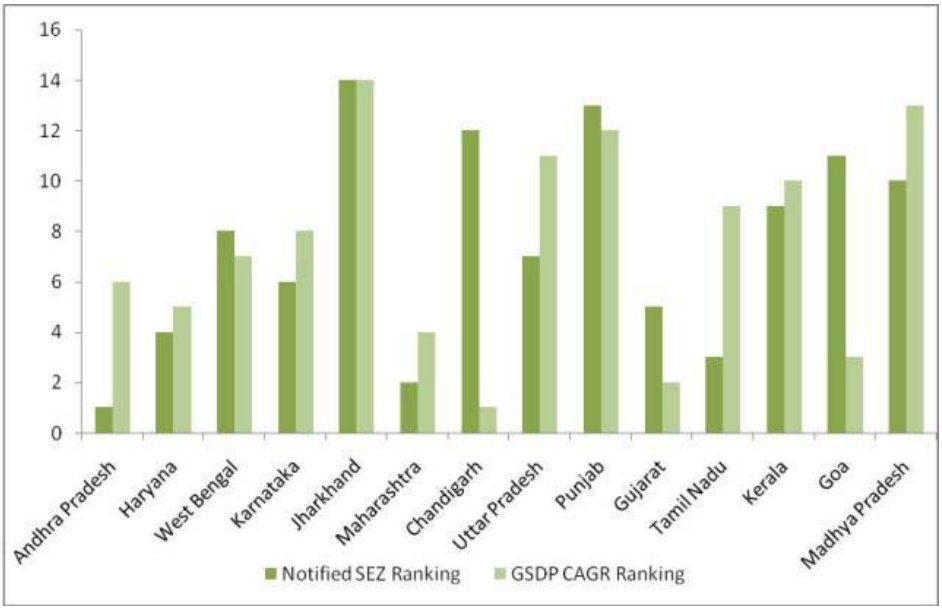
Using State GSDP and GSDP Growth Rates as Proxies

For measuring the level of industrialization of the States, we use the State GSDP absolute figures and State GSDP growth figures as proxies. We rank the states based on the state GSDP figures of 2005-06. We compare the GSDP ranking with the Notified SEZ rankings for 14 states.

From the above comparison, it is quite clear that State GSDP can explain the disparity in the SEZ approvals. Hence, the level of industrialization of the state (measured by GSDP) does determine the number of SEZs being approved in the state.

Next we used the proxy of State GSDP growth rate (CAGR over the period 01-08) as a proxy of level of industrialization of the state. We rank the states based on the state GSDP CAGR figures 00-08.Then we plot the GSDP CAGR rankings along with the Notified SEZ rankings for 14 states which is shown in Exhibit 4

Exhibit 4 Comparison of Notified SEZ Ranking and GSDP CAGR Ranking



The above ranking of GSDP growth rate also explains the growth of Notified SEZs to some extent. So we find that both State GSDP and GSDP growth rates provide significant explanation to the SEZ growth in the states. Thus the level of industrialization (explained by State GSDP and GSDP growth) of the states explain the growth of Notified SEZs in the state.

Using Industrial Infrastructure Investment as a Proxy

We have used the State-wise Funds released under Industrial Infrastructure Up gradation Scheme (IIUS) in India as a proxy of state industrial infrastructure investment to explain the growth of the Notified SEZs in the states. This serves as a proxy for the level of Industrial Infrastructure of the states. A comparitive graph showing the notified SEZ ranking and Industrial Infrastructure working is shown in Exhibit 5.

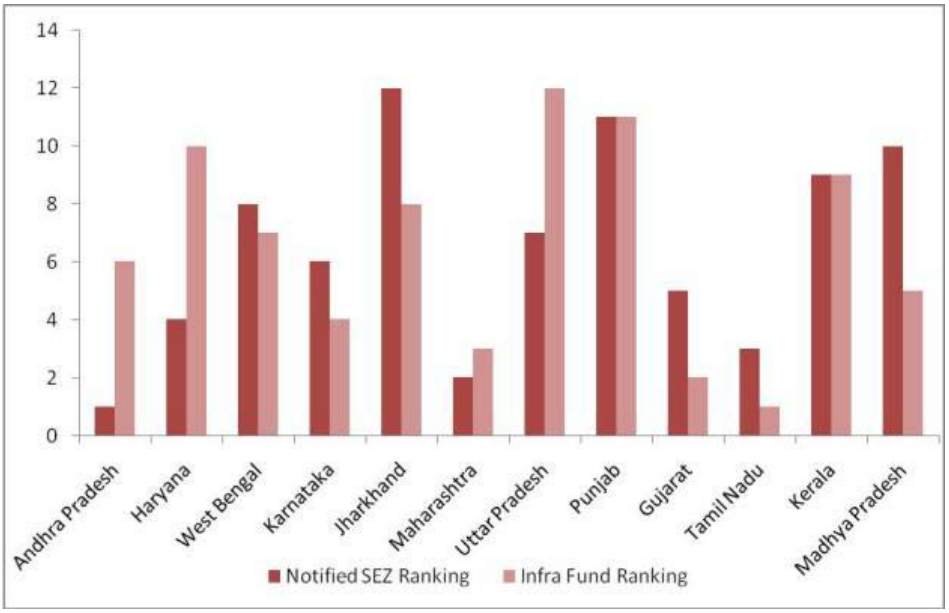


Exhibit 5 Comparison of Notified SEZ Ranking and Industrial Infrastructure Ranking

We find that investment in industrial infrastructure is a driver of the SEZ growth in a state.

From the above analysis we can conclude that the strength (comprehensiveness and effectiveness) of the SEZ policy is an important determinant of the SEZ notifications in the state. The SEZ growth in the state is also driven by the level of industrialization (measured by state GSDP and its growth rate) and the level of investment in industrial infrastructure.

Major Issues with SEZ Policy

Fiscal incentives such as stamp duty exemption have not been uniformly implemented in all states which lead us to the contention[v] that even if provided, these are just ephemeral incentives. With respect to land, there is no earmarking of sites for SEZs by the Govt or provision of initial infrastructure[vi]. The long gestation period (single window clearance is almost a farce) till notification further makes the land unusable. Moreover, there is no clear exit mechanism for the SEZ developers in the policy.[vii] Some experts have also expressed concern that there is probably too much emphasis on products from SEZs being used for exports only, in our policy . At the application stage, some experts question the necessity for a two-stage process itself. Why should we have in-principle approvals at all?

Conclusions and Recommendations

Our interviews with a few officials involved in the implementation of the SEZ policy were quite insightful in validating some of the hypotheses we had made. For the question of whether we have too few or too many SEZs in India right now, the clear answer is "too many".[viii] However, with a better understanding of the risks involved and with the increasing impact of the global recession, there is a slow and steady decline in the applications that the Board of Approval has been receiving in the recent past. However, this is only an external ramification.[ix] To permanently restrict the applications, the Govt should play a larger role by earmarking specific sites for SEZs and inviting applications only for these sites. This would also reduce the number of rejections in the later stages. On a similar note, the widely held opinion is that, we need to increase the size of our SEZs in order to support multi-product zones. For this, contiguous land is a pre-requisite and this is where the problems of land acquisition start. While coastal SEZs seem to be doing better than landlocked ones, experts say that with strong support from the States and the Centre, even the connectivity issues with hinterland SEZs may be resolved.

Proper land records do not exist in many of our states and these are where most issues regarding acquisition arise from. The SEZ policy seems to be a policy that has been forced on the country hastily without understanding the serious imperfections in the factor markets in our country.[x] There do exist success stories in India, of Centre-State coordination. Though it took 9 years to be implemented, there has been enough incentive for the states to enforce the Value Added Tax (VAT). Not a single state has suffered losses so far as a result of this. There has been revenue buoyancy in this case. This should be replicated in the case of SEZs too. Given that the exemption incentives for the states will be short-lived with the enforcement of GST in India in the near future, it is important to give them greater responsibilities like developing supporting infrastructure for SEZs to sustain their level of interest in setting up SEZs

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SEZ Article ...

Comparison Between EOU V/S SEZ

Shreepad B Devale

Exported Oriented Units:

Units undertaking to export their entire production of good & services may be set up under the EOU scheme

Procedural Aspects:

Application for setting up, to be made to-

- ☐ 'Board of approval '(BOA) for approvals of units in service sector
- ☐ 'Development Commissioner ' (DC) for EOU's requiring industrial licensing, after getting clearance from Board of Approval (BOA) & Department of Industrial Policy & Promotion (DIPP) within 45 days
- ☐ Units Approval Committee (UAC) for OTHER units

Development commissioner & EOU:

Development commissioner (DC) issues letter of permission (LOP) or letter of Intent (LOI) to EOU ON approval. Then, WITHIN 3 years, the unit should start commercial production to get a validity period of 5 years from the date of commercial production for its activities. The units shall execute a legal undertaking with the concerned DC. The DC ensures, smooth functioning of EOU and fixing time limits for finalizing the disposal of EOU matters.

Positive net foreign exchange (NFE):

The net foreign exchange earning shall be calculated cumulatively for a block of 5 years.

Start export house status:

Depending on its export performance for last 3 years, it will also be eligible for Fast Track Clearance procedure.

Incentives/Benefits from central government to 100% EOU:

- ☐ Total Customs & Central excise duty exemption.
- ☐ Income tax exemptions (Section 10A, 10B, etc.)
- ☐ Reimbursement of Central sales tax (CST) on purchases made from Domestic Tariff area (DTA)
- ☐ Exports through third party permitted
- ☐ No restrictions on foreign shareholding and 100% convertibility of export earnings at market rate
- ☐ Unrestricted remittances of profits and dividends
- ☐ Supply of goods to EOU = "deemed exports" and eligible for benefits like advance authorization, deemed export drawback & exemption from terminal excise duty.

How SEZ is different from EOU???

Supplies made to SEZ from DTA are "**Exports",** in respect to EOU they are treated as **"Deemed Export"**

Units to be located within specified Zones in respect to SEZ, where as for EOU units can be set up at any prescribed places as declared.

In SEZ there is physical control of over movement of good, no such control in case on EOU

No minimum investment limit for SEZ, where as for EOU minimum investment limit in P&M is Rs.100 lakhs as on date of commercial production

Customs clearance within zone itself, for EOU fast track clearance scheme for clearance of imported consignments

Supplies from SEZ to DTA is normal, whereas for EOU sale within India on payment of excise duty /customs duty of similar goods is payable and sometimes as a % of normal customs duty

In respect to sales (SEZ) no limit, except to have positive net foreign exchange (NFE), (EOU) sale UPTO 50% (FOB on sales of previous year) in DTA and has to fulfill positive net foreign exchange.

In relation to restriction under companies act on managerial remuneration are not applicable for SEZ, applicable for EOU

Physical exit is necessary in case of de-bonding as SEZ, for EOU unit can exit (de-bond) with permission of Development Commissioner, on payment of applicable duties.

SEZ supplier need not pay CST or service tax, EOU has to pay CST or service tax but eligible for refund.

Procedure for purchase the Imported Raw Material/ Capital Goods

1) You will get the Commercial Invoice (from Party) & Bill of Lading (From Custom office). (1+ 3 copies). Then you make the Procurement Certificate

   (3 copy) & send it to 1) Deputy Comm. 2) Company copy 3) Range

   Then File the P.C. copy and update in Procurement Cert. Register

2) Then Goods will come with Bill of entry (1 copy)

3) Intimate to Range office (Ext. No. 316, 318) & do the verified

4) Entry in Bond Register -warehousing Register of Cap. Goods/ R.M.

5) Then Xerox the bill of entry & take the sign of Range officer and send them to 1)Dy. Comm. 2)Asst. Comm. 3) Company copy 4) Range

Procedure for purchase the Indigenous Raw Material/ Capital Goods

1) First you get the Purchase Order from Purchase Dept.

2) Make the Form CT – 3 as per the Purchase Order. Take the Sign of Factory manager/Authorized Signatory and sign of Superintendent.

3) Distribute that 3 copies to 1)Customer 2) Range 3) company copy

4) File the CT- 3 Copy and update in the CT-3 Register

5) Then Goods will come with Invoice (Party's) and ARE -3 (3 copies)

6) Intimate to Range office (Ext. No. 316, 318) & do the verified

7) Entry in Bond Register-warehousing Register of Cap. Goods/R.M.

8) Then Send the ARE-3 (duly signed by superintendent) to 1) company copy 2) Range 3) Customer, and Reware-housing letter to customer & for us.

9) Then update in ARE-3 Issued Register & Reware-housing Register

Procedure for Warehousing & Re-warehousing of Capital Goods / Raw Material

1) When Goods come against CT-3 / Procurement Certificate/ Duty Payable, immediately inform to excise office as intimation of goods came.

2) After verification, Entry will be in WG 06-07 Excel Register.

3) When Invoice will come with A.R. 3-A, entry will be in WG-1/2 Physical Register (Hard Copy).

4) Sign the A.R.3-A copy by F.M. / Authorized Signatory + Superintendent, original copy for us and then send the second copy to the party and third copy to Excise Office.

5) Take the sign of Factory manager / Authorized Signatory + Inspector on Warehousing Register also.

6) File the Original A.R.3-A + Transporter copy (Invoice) in the Party's Invoice File.

Procedure for Warehousing of Goods in Warehousing Register

1) The entry will be in Warehousing Register When Goods comes against CT-3 / Procurement Certificate/Duty Payable.

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Activity picks up at Iffco Kisan SEZ

Notwithstanding the protest by farmers to return their lands, the first unit in the Iffco-promoted Kisan SEZ at Racharlapadu in Kodavalur mandal of SPSR Nellore district, is likely to begin operations before the end of this year.

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The SEZ was in the news during recent byelection after farmers of Racharla-padu, who gave their lands to Iffco to set up a fertiliser factory in 1997, boycotted the election, demanding th-at Iffco return their lands.

Incidentally, the naphtha-based fertiliser factory was shelved following the staggering cost of naphtha and non-availability of natural gas in the region then.

It may be mentioned here that Iffco acquired 2,800 acres for the fertiliser factory and about 700 acre of the total extent was procured from farmers after paying compensation as per government norms then. Iffco came out with the Kisan SEZ proposal after the state government objected to ke-eping the lands idle, following an outcry by farmers during the Dr YSR regime.

Subsequently, the foundation stone was laid for the SEZ by Dr YSR in February 2008. Although farmers became silent, expecting jobs in the SEZ, they started raising a hue and cry, following delay in the execution of the SEZ project.

In this backdrop, a Chennai-based export-oriented unit M/s A.D Jeya-veerapandia Nadar & Bros, is likely to commence operations in the SEZ before the end of this year or in the first quarter of next year. Land is already earmarked in the SEZ for the firm which will process and exp-ort onions, red chillies and potatoes from Kisan SEZ.

Speaking to this newspaper, chief executive officer of the Kisan SEZ M. Rajasekharaiah said that they had obtained all the required licences. He said that Rs.35 crore-estimated scheme related to supply of water through pipelines from the Kanigiri reservoir to the SEZ was in progress.

Reacting to a question on apprehensions in the local community in Racharlapadu over the SEZ, he said that they had already spent Rs.62 crore to create infrastructure facilities in the SEZ and several agriculture-based industries have been expressing interest to start units in the special economic zone.

Commissioner files caveat before Gujarat High Court

AHMEDABAD: The development commissioner has filed a caveat before the Gujarat High Courtrequesting it be heard if Adani Port & SEZ Limited (APSEZ) opts for legal remedies in respond to the show cause notice issued by the Ministry of Commerce. Last week, the ministry issued show cause notice to APSEZ for its proposed second SEZ.

On behalf of the development commissioner, advocate Pankaj Champaneri filed caveat on June 13 and it is pending before the High Court. Last week,Adani Group spokesperson admitted that it has received a show cause notice from the ministry for APSEZ's proposed new 1840 hectares special economic zone (SEZ) Mundra where the group is already operating 6472 hectare multiproduct SEZ at Mundra in Kutch district.

"Recently, a new multi product SEZ over an area on 1840 hectares has been approved and notified vide notification dated 28th March, 2012. The Company has received a show cause notice recently for new SEZ of 1840 hectares and in the process of replying the same," said Adani Group spokesperson in a media statement issued on June 16. He clarified that the notice has no relation with the existing operational multi product SEZ. "The Company is carrying out its activities within the framework of law and has been complying with the applicable laws. The port operations and port development activities at Mundra are normal," read Adani Group stated.

Diamond City Surat may lose its jewel SEZ

In what could be a big blow to Surat's ambitions of emerging as a hub of jewellery export, the Gujarat Hira Bourse (GHB) is likely to seek de-notification of its Gem & Jewellery SEZ in the Diamond City.

In case GHB decides to surrender SEZ status, it would join a long list of developers in the state who have either de-notified or are planning to seek de-notification of their SEZs.

"We are considering surrendering SEZ status of Ichhapore Gem & Jewellery SEZ. The SEZs are not attractive any more for businesses due to withdrawal of tax benefits and other incentives," Nanu Vanani, secretary, Gujarat Hira Bourse (GHB), said.

Vanani, who is also a BJP MLA, however, added that a final decision about seeking de-notification of the SEZ has not been taken yet.

The de-notification of the SEZ would be a major setback for ambitions to make Surat the hub of jewellery exports. Surat is already the hub of diamond manufacturing, and a similar position in jewellery, would have added to the city's dominance in the global gem & jewellery business.

Spread over 100 hectares, the Gem & Jewellery Park comprises SEZ and Domestic Tariff Area (DTA). It is coming up in Ichhapore, just a few km from Surat city. The park is expected to house 300 plus jewellery manufacturing units, which would employ some 1.25 lakh people.

Gujarat Hira Bourse president, Chandrakant Sanghavi, however, denied that there are plans to surrender SEZ status of the gem & jewellery park.

Vanani exuded confidence that even if SEZ status is surrendered, it would not have any impact on total investment in the park, which is expected to cross Rs5,500-Rs6,000 crore.

Govt to promote IT SEZ in tier-II, tier-III cities

NEW DELHI: The government is likely to announce incentives to promote IT-related export hubs in small towns as part of its effort to woo back investors to special economic zones.

The commerce ministry is amending the rules for special economic zones (SEZs), which have become unattractive to investors following imposition of minimum alternative tax (MAT) and dividend distribution tax (DDT) in 2010-11. Earlier, SEZs were exempted from most levies.

While SEZs across sectors will benefit from the new rules, IT SEZs stand to gain the most as their contribution to exports is more than that of others, an official said.

"As IT accounts for more than a fourth of the exports from SEZs, the reforms will have a special dispensation for the sector," the official said, adding, "It would streamline incentives in a way that it encourages such zones to come up in tier-II and tier-III cities."

After imposition of MAT and DDT, growth in exports from SEZs slowed to 15.4% in 2011-12, from 43.1% in 2010-11 and 121% in 2009-10.

The proposals being considered include a sharp reduction in the mandatory minimum area requirement for different categories of SEZs, easier norms for building social infrastructure like schools, shopping complexes and residential blocks in SEZs in smaller cities, besides relaxation in vacancy and contiguity or continuity norms that have often proved to be hurdles for proposed zones.

The government may also allow broadbanding of sectors, which will allow ancillary units to come up in sector-specific SEZs. To factor in more certainty for investors, the government is also planning to issue clarifications in advance on investment and regulatory issues.

"Investors got a jolt when the finance ministry decided to impose minimum alternate tax and dividend distribution tax on SEZs in 2011, as the investment decisions had been taken keeping the initial tax-free status in mind," the official said.

The incentives, however, will mostly be aimed at simplifying rules for setting up SEZs and not have any direct revenue implications. "The revenue department has made it

clear that it does not want to take on additional financial burden. We respect that and are ready to stay within the mandate specified by the SEZ Act," the official said.

Interestingly, the revenue department had given a list of objections to the proposed changes, many of which the commerce department has chosen to ignore. However, experts say the SEZ Act gives the commerce department enough powers to make significant changes in rules.

"The SEZ Act allows the government to make amendments, either for all or a particular class of zones, and it can come out with notifications on provisions that it finds appropriate," said Hitender Mehta, co-chairman of industry body Assocham's SEZ council. Plans are afoot to simplify contiguity or continuity norms, which often require developers to build infrastructure to by-pass public structures.

"IT SEZs need not have the same nature of physical fencing as required for a manufacturing SEZ. Even for manufacturing SEZs, contiguity issues can be examined on a case-to-case basis," the official said.

Several developers in the country have already written to the government for relaxation in these rules.

IT park likely to retain SEZ status

Indore: With Impetus Infotech (India) Pvt Ltd handing documents pertaining to the commencement of export operations from the Crystal IT Park based unit, to development commissioner Special Economic Zone (SEZ) Indore, it is likely that this ambitious AKVN project could retain its SEZ status.

The deadline for expiry of the SEZ status for the park was June 23, 2012. The deadline required these companies to offer proof of having started export operations before June 23 otherwise the SEZ status of the project might be withdrawn. The status already has been revised twice in the past.

“The Impetus Infotech (India) Pvt Ltd has submitted some documents which suggest that the company has started export operations,” said development commissioner SEZ Indore AK Rathore.

The officer added that a report in this regard would be submitted to the SEZ board which in turn could take a decision within a few days. Rathore, however, informed that remaining two companies which started functioning from the IT Park are yet to submit documents pertaining to export operations.

After a wait of more than a decade, the Crystal IT Park, Indore, was thrown open for operation after three IT companies—M/s Impetus Infotech (India) Pvt Ltd and two of its sister concerns M/s Intellicus Technologies Pvt Ltd and M/s Cleartrail Technologies—were allotted built-up space on June 1.

In February last, three IT companies entered into agreement for setting shops in the park with investment of Rs 32.5 crore. They had assured the park of achieving export target of Rs 543 crore in next five years.

Mangalore Special Economic Zone Ltd corridor to be ready by March next year

MANGALORE: The Mangalore Special Economic Zone Ltd (MSEZL) is setting up a 10 km long direct pipeline-cum-road corridor connecting its units to New Mangalore Port. The corridor will not only save cost and time for petrochemical units, but also take pressure off infrastructure.

Rajiv Banga, managing director and chief executive officer, MSEZL while delivering a talk on opportunities for petrochemicals in Karnataka at seminar on chemical, petrochemical and plastic at the recently concluded Global Investors Meet 2012said phase I of the corridor development was expected to be completed by March 2013.

"Various industrial units in MSEZ can avail cluster benefits from a central effluent treatment plant as well as look forward to adequate power supply. A 220 kv sub-station is coming next to MSEZ. The company is offering ready to use graded plots in various sizes also catering to needs of SME sector with normal items of infrastructure to do with water, power distribution, effluent handling, collections and disposal system," he said.

Mangalore SEZ is the only notified sector specific petrochemical SEZ in Karnataka.

New Infosys offers can't match special economic zone gains

KOLKATA: The alternative proposals mooted by the state government to keep IT bellwether Infosys in West Bengal have some shortcomings, compared to the benefits offered under the special economic zone (SEZ) scheme, feels experts. However, Infosys has sought time from the government and is expected to reply by the end of this month.

Infosys' project had hit a hurdle in Bengal as the Mamata Banerjee government is, in principle, against SEZs. Recently, the state government put forward three options before Infosys - giving Software Technology Parks (STPI) status to the project, offering land to it in an existing notified SEZ or making the IT giant a co-developer in a notified yet non-functional SEZ.

Experts pointed out that the major hindrance of the STPI scheme is that there is no corporate income tax exemption benefit attached to it. The IT exemption clauses, which were attached to the STPIs, were withdrawn from March 31, 2011. The companies operating under the SEZ banner enjoy exemptions from corporate income tax (CIT). They only pay minimum alternative tax (MAT), which is lower than CIT. Therefore, it is lucrative for any company to operate in an SEZ.

According to sources in the STPI department, "STPI schemes still exist sans the IT exemption clause." Around 70,000 IT companies in the country benefit from this scheme.

"I feel that if Section 10 (a) and 10 (b) of the STPI scheme could be reintroduced, it would greatly benefit not only Infosys in this particular case but also several small and medium IT/BPO companies, who find it very difficult to relocate to a SEZ on cost consideration," Suparno Moitra, regional manager (east), Nasscom, said.

Another difference between STPI and SEZs is the Industrial Dispute Act provision. The SEZs are directly under development commissioner and labour laws are lenient, on the other hand labour laws are stringent in STPIs. Experts pointed out that provision is there that Infosys can become co-developer in any of the existing SEZs. In such a case, Infosys has to seek state government's nod. "But the main problem with this proposal is that all the available SEZs are being developed by private companies. In Odisha, Infosys has become co-developer to an existing SEZ, which was with a state government outfit," an expert added.

Incidentally, Infosys had taken 50-acres in the Rajarhat area, on the northeastern fringes of the city for Rs 1.5 crore per acre for the project. It has made full payment for the land in October last year. It sought for SEZ status. But after it was denied that status, on April 13, the company said: "We have put the Kolkata project on hold for the time being. We shall review and proceed at an appropriate time."

Notice to Adani Port and Special Economic Zone for alleged falsities

AHMEDABAD: The Centre has issued a show-cause notice to Adani Port and Special Economic Zone (APSEZ) asking why approval granted for developing an additional area of 1,804 hectares as part of its SEZ should not be cancelled. The Union Ministry of Commerce and Industry's notice says APSEZ provided false information to get permission for additional land adjacent to the existing 6,472-hectare multi-purpose SEZ in Mudra.

The Centre had given approval for the additional land on March 28. The notice is mainly based on a report and inspection by the joint development commissioner of APSEZ, Kandla and director of SEZ after alleged irregularities were noticed. The issue came to light when the developer of Agri Park, neighbouring APSEZ paid a duty of Rs 10.51 crore. Officials found out goods meant for SEZ been used by Agri Park developers.

An inquiry by the ministry revealed that while seeking permission, the company falsely claimed that the land was contiguous, vacant and satisfied all necessary conditions. The company had also claimed that there was no public thoroughfare through the land. Moreover there was no mention of existing structures in the proposal.

The notice also said that contrary to the company's claims, the land had a railway line as well as road crossing running through it. There was also no independent access to it. The ministry has sought a reply within 10 days. The company in a statement said, "This has no relation with the existing operational multi product SEZ over area of 6,472 hectares. The Company is carrying out its activities within the framework of law. The port operations and port development activities at Mundra are normal."

Reliance SEZ land to be earmarked for expo centre

The Haryana government has decided in principle to shift the site of the proposed exhibition-cum-convention centre (ECC) project in Gurgaon from Pachgaon Chowk to the Garhi Harsaru Special Economic Zone (SEZ) site —currently in possession of Reliance Haryana SEZ Ltd (RHSL), the special purpose vehicle incorporated to implement the project.

The ECC project is one of the three early bird initiatives identified under the Delhi Mumbai Industrial Corridor (DMIC) project. The Haryana government in January this year had asked Mukesh Ambani's Reliance Industries, the lead partner in the RHSL, to return 1,383 acres in Gurgaon's Garhi Harsaru since the SEZ project could not fructify in the last five years.

The 1,383 acres of land was transferred by Haryana State Industrial and Infrastructure Development Corporation (HSIIDC) to RHSL.

“About 400 acres out of the 1,383 acre of Garhi Harsaru RHSL SEZ land will be earmarked for establishing the exhibition-cum-convention centre project. The fate of the remaining Garhi land will be decided later," said an official.

HSIIDC officials said the project will be implemented through a special purpose vehicle (SPV) to be floated jointly by the central government and Haryana government with a 50:50 share holding. The Delhi Mumbai Industrial Corridor Develop-ment Corporation (DMICDC) and HSIIDC will be partners in the SPV, they said.

The ECC is proposed to have an exhibition centre, a convention centre, hotels, retail arcade and administrative office. HSIIDC has approached the union commerce ministry seeking transfer of Pragati Maidan business to the proposed ECC project. “The ECC will come up on 135 acres while the hotels and retail arcade will come up on 15 acres. About 150 acres additionally will be earmarked for state pavilions," an official said.

An annuity development model is likely to be adopted for implementing the ECC project. The model will entail construction to be undertaken by a private player who would be paid annuity for six years. The hotel and retail component is proposed to be developed by private sector.

RIL's Jamnagar SEZ contributes 83% to the state's SEZ exports

AHMEDABAD: Exports from Gujarat's Special Economic Zones (SEZs) rose 24% in the last financial year to over Rs 2 lakh crore, helped mainly by Reliance Industries figures.

RIL's Jamnagar SEZ contributes 83% to the state's exports that account for 55% of total total SEZ exports from the country.

Reliance registered 61% growth in petro products shipments from Jamnagar to Rs 1.66 lakh crore. Physical exports from Reliance SEZ stood at Rs 1,48,495.96 while deemed exports were of Rs 17,802.37 crore. Multi-product SEZ at Surat clocked Rs 27,468.57 crore exports and deemed exports of Rs 0.36 crore.

Exports from other SEZs like Kandla, Apparel SEZ at Sachin near and pharmaceutical SEZ by Zydus Infrastructure too rose. Kandla SEZ's physical exports were at Rs 2,960 crore and deemed exports were worth Rs 36.20. Zydus exported medicines worth Rs 245 crore and services worth Rs 102 crore.

Other contributors were Adani SEZ (erstwhile MPSEZ) with physical exports of Rs 335 crore and service exports of Rs 1,344 crore and Dahej SEZ with product exports of Rs 836 crore and deemed exports of Rs 80 crore.

""No significant investment is coming into the SEZs because of the economic downturn. There are also issues like Minimum Alternate Tax (MAT) as well as clarity of policies. In spite of this, our SEZ is almost full. More units are also coming on stream,"" R J Shah, CEO of Dahej SEZ told ET.

Gujarat has 55 SEZs, out of which 12 are functional and another 20 are under various stages of implementation. The state also has eight IT and ITeS SEZs. They cover an area of approximately 27,125 hectare. Put together, the 12 operational SEZs have attracted an investment of Rs 78,000 and are employing over 80,000 people.

Recently, the state commissioned an SEZ from Jubilant Life Sciences. Earlier, companies like DLF, Essar, Strength Real Estate, NG Realty and Mexus corporation alter their plans and cancelled SEZs in Gujarat. The projects could not get sufficient companies to set up their shops. Gujarat Hydrocarbons & Power SEZ Limited has decreased the size of its SEZ. SEZ exports from Gujarat rose from Rs 24,017 crore in 2008-09 to Rs 1,14,850 crore in 2009-10 and Rs 1,61,087 crore in 2010-11. SEZ imports during the past three years were Rs 29,152 crore, Rs 1,07,481 crore and Rs 1,45,113 crore respectively.

SEZ status delay hurts SmartCity

The entire land holding of SmartCity is yet to be notified by the centre as a Special Economic Zone (SEZ) thereby delaying its marketing campaign (road shows) across India and abroad.

Kochi SmartCity has so far received SEZ status for only 131 acres out of the 246 acres it has and it is still waiting to get the remaining 115 acres notified.

In fact, SmartCity was ready for road shows once its Experience Pavilion was launched early this month but the delay in notification remains a roadblock.

“We have completed the groundwork for the road shows and also identified agencies in major cities with which we can tie up — the only hitch is the delay in the notification,” said SmartCity managing director Baju George.

River Kadambrayar flowing through the land and dividing it into two was cited as a reason for the delay in the SEZ notification. Indications are that the centre has to take a policy decision on including water bodies under SEZ.

“The concept plan for the SmartCity needs to be approved by the SEZ development commissioner. The commissioner also has to demarcate the processing and non-processing zones and only then can we begin the marketing campaign,” George told Deccan Chronicle over phone from Hyderabad.

IT companies and other export units would function from the processing zone and social infrastructure like hotels, schools and hospitals would come up in the non-processing zone. The plan was to begin the road show from Bengaluru.

The first phase of the Rs 2,000 crore SmartCity project, a joint venture between the state government and Dubai-based Tecom Investments, is expected to be completed in 18 months and the second phase in five-and-a half years, giving employment to one lakh people.

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- 8 companies already operational with 4000 employees

To know more about Mahindra World City, Jaipur, please get in touch with:-

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