

# Govt eases SEZ rules for hi-tech manufacturing

## Reduces min land required to set up chip, electronic component units to 10 hectares

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The government has unveiled a series of policy relaxations aimed at boosting high-tech manufacturing, including semiconductors and electronic components in special economic zones (SEZs).

According to a gazette notification issued by the Ministry of Commerce and Industry, the minimum land requirement for setting up such SEZ units has been reduced from 50 hectares to 10 hectares. The relaxed norms will apply to sectors including semiconductors, display module sub-assemblies, various other module sub-assemblies, printed circuit boards, lithium-ion battery cells, mobile and IT hardware components, hearables, and wearables. These changes, under the Special Economic Zones (Amendment) Rules, 2025, came into effect on June 3, 2025.

“We want to promote the manufacturing of semiconductors and electronic components. These are mostly single-unit SEZs where the

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50-hectare rule may have been an issue. That’s why we have reduced the size to 10 hectares,” said a commerce department official, requesting anonymity. “Semiconductors require significant investment and take time to turn profitable. That’s why we have also provided concessions in Net Foreign Exchange (NFE) calculations. We expect major investments and substantial job creation.”

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# New norms provide greater flexibility for SEZ units to retain tax advantages

Under the revised guidelines, for units providing semiconductor manufacturing services, the value of goods received or exported on a free-of-cost (FOC) basis must now be included in NFE calculations, aligning SEZ norms with Customs valuation practices. SEZ units are required to be net foreign exchange earners over a five-year period — a key condition to access various benefits under the SEZ Act, such as certain duty-free imports.

Launched in 2021 as part of the broader production-linked incentive (PLI) scheme, the India Semiconductor Mission (ISM) aims to develop a robust semiconductor and display ecosystem and position India as a global hub for electronics manufacturing and design. The government is currently working on the next phase of the ISM rollout.

Asked why semiconductor firms would prefer SEZs over domestic tariff areas (DTAs), the official said: “SEZs offer Customs and integrated GST (IGST) benefits. So it is always beneficial to have units in SEZs than in DTAs because semiconductor manufacturing requires a lot of capital goods.”

Kunal Chaudhary, partner at EY, said the new rules align India’s policy framework with the strategic objectives of high-tech manufacturing sectors. “These changes provide greater flexibility in land usage and establish a clear methodology to compute NFE — key to drive

export growth,” he said.

Manufacturing service providers in SEZs will now be able to source capital goods, raw materials, components, and consumables from the domestic market as well. The Centre has also expanded the options for the movement of finished goods. SEZ units can now supply to DTAs upon payment of applicable duties or transfer goods to a free trade and warehousing zone (FTWZ), even if located in a different SEZ, based on instructions from the overseas entity.

“The concession applies only to NFE calculation. Often there is a parent company abroad, and the SEZ unit provides it manufacturing services for it. This move encourages them to not only export but also serve the domestic market. That way, India benefits from foreign exchange earnings,” the official explained.

Vivek Jalan, partner at Tax Connect Advisory Services, also said the new rules will provide SEZ units with greater flexibility to retain tax advantages.

In addition, the minimum land requirement for multi-product SEZs in several states and Union Territories — Nagaland, Manipur, Mizoram, Arunachal Pradesh, Tripura, Meghalaya, Sikkim, Uttarakhand, Himachal Pradesh, Goa, Andaman & Nicobar, Lakshadweep, Dadra and Nagar Haveli and Daman and Diu, Ladakh, and Puducherry — has been lowered from 20 hectares to 4 hectares.