

● PUSH FOR DIRECT TAX CONCESSION UNDER DESH BILL

Tax sops to be extended for units setting up shop in SEZs

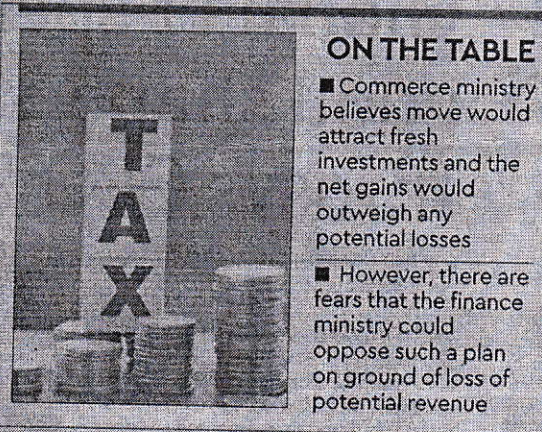
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THE COMMERCE MINISTRY will flag the merits of its proposal to extend direct tax concession to units willing to set up shop in the special economic zones (SEZs) under a new regime in inter-ministerial discussions, an official source told *FE*.

The ministry believes that such a move would attract fresh investments and the net gains would outweigh any potential losses, amid fears that the finance ministry could oppose such a plan on ground of loss of potential revenue.

The commerce ministry's new draft Bill on the Development of Enterprise and Services Hub (DESH), which will replace the Special Economic Zone (SEZ) Act, proposes to freeze the corporation tax at a concessional rate of 15% for all greenfield and certain brownfield units in such "development hubs" until 2032.

"We haven't yet received the



ON THE TABLE

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finance ministry's comments on the draft Bill. Once we receive them, we will discuss any issue that they may raise," said an official. Comments received from other departments are mostly related to the operational part of the Bill, which will be addressed, he said.

In the past, the revenue department often flagged losses of potential revenue due to support being extended to SEZs.

However, commerce ministry officials believe, with most of the support to such units having been withdrawn, it would be difficult to woo investors into these hubs without some fiscal incentives.

In fact, the new Bill was necessitated to revive interests in these industrial clusters that lost their charm after the government set a sunset date to start operations (June 30, 2020)

to be eligible for a phased income-tax holiday for 15 years. Moreover, India lost a case at the World Trade Organization filed by the US that had claimed New Delhi was offering illegal export subsidies through these SEZs.

So, if a new investor wants to set up a technology (services) unit in an SEZ, it has to pay a minimum tax of 22% (15% rate is only for manufacturing firms); it will work out to 25.17% with surcharge and cess.