

# FinMin mulls allowing SEZ units to sell domestically on 'duty-foregone' basis

Amiti Sen  
New Delhi

With the proposed amendment of the Special Economic Zones (SEZ) Act taking time, the government is considering an executive order to allow SEZ units to sell their goods domestically by paying just the 'duty foregone' on inputs to enhance their competitiveness, sources said.

The move could help boost the attractiveness of SEZs, which has taken a substantial hit after the introduction of the minimum alternate tax and the sunset clause on direct tax exemptions kicking in.

"It has been a long-standing demand of SEZs that they be allowed to sell in the domestic tariff area on a duty-foregone basis instead of paying import duty on the items. This would bring down the tax burden and make their products more competitive vis-a-vis local producers. The Commerce Department has proposed to the Finance Ministry that this should be allowed



**POLICY REVAMP.** The government has been bringing about changes in SEZ rules, wherever possible, without amending the legislation

through a notification as an amendment of the SEZ Act may take long," a source tracking the matter told *businessline*.

## SEEKING PARITY

The Export Promotion Council for EOUs and SEZs has been pushing for SEZ units to be allowed to sell in the DTA on a 'duty-foregone' basis.

This means that instead of paying customs duties on the goods sold in the DTA, the duty payable for SEZ units will be based on the duty on the raw materials used to manufacture those goods.

"The SEZ Amendment Bill

includes the provision for allowing SEZ units to sell in the DTA on a 'duty foregone' basis. But it will take time. So, a shorter route is to get it done through a notification. The Finance Ministry is examining the proposal in order to take an appropriate decision," the source said.

The government has been bringing about changes in SEZ rules wherever it is possible without amending the legislation.

It recently announced a series of regulatory amendments aimed at promoting SEZs focused on semiconductor and electronic component manufacturing.