

Govt likely to tweak SEZ rules to ease DTA sales

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The commerce department and the finance ministry are currently engaged in consultation to allow the sale of products manufactured in Special Economic Zones (SEZs) to the domestic market on a “duty foregone basis” on raw materials, instead of the finished product, a person aware of the matter said.

At present, SEZs pay full customs duty in case a finished product is sold outside these zones, known as domestic tariff area (DTA). Based on the industry’s longstanding request, the commerce department has proposed to the ministry of finance to calculate the duty on the imported raw material instead.

The change, if implemented, is expected to spur value addition and manufacturing in SEZs as the import tax levies on units are expected to lower. Manufacturers in SEZs that have spare capacity will be able to boost production.

SEZs are areas within the country that have different economic regulations and are considered as a foreign territory, with the primary focus on promoting exports. Companies operating in such zones get tax sops from the government but restrictions apply on duty-free sales to the rest of the country.

“We have shared the draft (on duty foregone) with the revenue department. Since the SEZ amendment Bill will take a lot of time to get passed (by Parliament) and implemented, we are trying to introduce some policy changes that can be brought in without

Relaxation in norms

- The change, if implemented, is expected to spur value addition and manufacturing in SEZs
- According to a GTRI report, the change could create competition issues for firms operating under other schemes
- At present, SEZs pay full customs duty, in case a finished product is sold outside DTA zones



amendment of the SEZ Act,” the person cited above told *Business Standard*.

“In this case, an executive order may be enough to implement the policy change,” the person said, adding that in the absence of a new SEZ amendment law, the commerce department was pushing for implementation of such an order at the earliest.

The commerce department had prepared an SEZ (Amendment) Bill a year-and-a-half ago as the government believed that a revamp was needed to develop a fresh framework, in line with the emerging order of global trade, to support the building of industrial parks with world-class infrastructure and to attract investment in manufacturing. The idea was also to enable easier integration of SEZs with the domestic market, so that firms in the special zones don’t lose out due to restricted market access.

However, 2024 Lok Sabha elections and lack of consensus with the finance ministry on certain issues delayed the implementation.