DESH Bill may let firms have obligation of choice

This may ensure no single mandatory export commitment

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The Development of Enterprises and Services Hub (DESH) Bill, 2022, may ask companies to commit to only one of the criteria — investments, breakthrough technology, job creation, and exports — that would eventually augur well for the economy and spur growth, people aware of the matter said.

The Bill, which is currently a work in progress under the department of commerce, seeks to replace the existing special economic zone (SEZ) law.

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MAKING IT ENTICING

- **The broad categories on which** commitment may be sought are investments, breakthrough technology, job creation, and exports
- **Units to have the 'flexibility' to** opt for any one of the categories
- **Parameters of the commitment and other details** would be firmed up by the commerce department and rolled out as part of the rules
- **Obligation of choice would help** make the proposed law compliant with WTO rules
- **It would allay** the finance ministry's concerns over lack of export obligation under the revamped SEZ law

A senior government official told *Business Standard* that the government would allow companies the "flexibility" to meet any one of these objectives, according to their choice. It would also ensure that there is no "single" mandatory export obligation for these companies, thereby making the proposed law compliant with World Trade Organization (WTO) rules. Turn to Page 3

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The DESH Bill would mention the broad categories, and the commitment in each category and other crucial details would be firmed up by the commerce department.

It would be rolled out as part of the rules once the Bill gets Parliament's approval.

"Companies setting up units will either have to give commitments towards making a certain amount of investment, creating a certain number of jobs, exporting goods worth a certain value or introducing new, or breakthrough technology. The government will give them the flexibility to choose any of these. This will ensure that they get some tax benefits offered under the law, while also giving back to the economy," the official said.

Besides, it can put an end to the finance ministry's concern that units may declare themselves SEZs to postpone Customs duty payments in the absence of any export obligation or NFE criteria.

"Consultation with the industry is also being conducted on the matter," the official said, adding that the ideas will be discussed with the finance ministry before weaving it into the Bill.

Under the existing law, it was mandatory for units in SEZs to achieve positive net foreign exchange earnings — the value of exports has to be more than the value of imports. Such units received certain subsidies and tax exemptions from the government for having a positive NFE and this resulted in a dispute at the WTO over three years ago.

The commerce department finalised the first draft of the Bill in June but the revenue department objected to it over the proposed fiscal incentives and the Bill being excessively flexible in integrating development hubs with the domestic market.

This could result in domestic tariff area (DTA) units seeking these benefits and them relocating to these hubs due to the working capital advantage they would get from deferment of taxes under the DESH Bill, the revenue department apprehended.

In that case, goods could then be sold primarily to the domestic market, rather than being exported, it said.

Announced in the Union Budget earlier this year, the DESH Bill seeks to set up "development hubs" for promoting economic activity, generating employment, integrating with global supply and value chains and maintaining manufacturing and export competitiveness, developing infrastructure facilities, and promoting investments, including in research and development (R&D). Such hubs will also include existing SEZs.

The Union Cabinet's approval would be sought once both departments are on the same page over the Bill.

Telcos...

Business Standard previously reported that the ministry was in touch with private network operators to explore a direct leap to 5G for its own network.

Industry executives said the move to allow licensing of railway land to private entities for the installation of telecom towers shall bring down costs, boost efficiency, and help better grid planning. Allowing related infrastructure, such as pole mounts and other cells, would help develop infrastructure holistically, they said.

"At a time when both Reliance Jio and Bharti Airtel are scouting for land to set up 5G towers and strengthen local networks, the move will help a lot, especially in towns and the rural hinterland where habitations often radiate outwards from a railway station at the centre. Allowing greater flexibility to set up infrastructure shall take care of a lot of planning headaches," said a senior executive at a telecom service provider.

"This is a welcome move, and has been a long-standing demand of the industry," said Tilak Raj Dua, director general of the Digital Infrastructure Providers Association.

But industry executives pointed out that some issues still exist. The latest guidelines mandate that companies putting up telecom towers won't be allowed to use them for advertisements, even as the Indian Railways has reserved the right to use the towers for advertisements, for itself.

"If towers are being installed and maintained by private companies, what's the problem if they look to use them for diversifying their income streams?" asked a senior executive at a tower installation company.

Moreover, the policy allows the Railways to reclaim the piece of land whenever required, just by giving a two-month notice — a clause was enforced on RailTel in 2016, too.