

Finance Ministry working on proposal to revive SEZs

The government is working out a package of tax and non-tax incentives to revive the Special Economic Zones (SEZs) and a final view is expected to be taken shortly, a finance ministry official said.

"We are discussing with the Commerce Ministry and working out an overall package of tax and non-tax issues," a senior finance ministry official said, adding a decision will be taken soon.

The SEZ policy, which was initiated with a bang by the previous UPA government, ran into rough weather with the Finance Ministry withdrawing the tax incentives available to SEZ developers and the units there in. Of the 566 formally approved SEZs, only 185 are in operation.

Many of them could not come up because of the decision of the government to impose Minimum Alternate Tax (MAT) and Dividend Distribution Tax (DDT) in 2012. "Reviving SEZ will give a boost to the manufacturing sector, which has registered near zero growth in last two financial years," the official added.

SEZs, which are major export hubs, contribute about one-third to the country's total exports. They provide employment to about 15 lakh persons. Exports from these zones increased from Rs 22,840 crore in 2005-06 to Rs 4.94 lakh crore in 2013-14.

As per the original provisions of the Special Economic Zones Act, 2005 and Rules, 2006, SEZ developers and units were exempted from MAT. But in 2012, government imposed 18.5 per cent MAT on the book profits on SEZ developers and units. The industry has been complaining that Minimum Alternate Tax and the DDT on SEZs have dented the investor sentiment.

Voicing concern at a large number of stalled SEZ projects across the country, Prime Minister Narendra Modi has said a high-level team has been constituted to review the problems and resolve them at the earliest.

"In the PMO, there is a special team to look into why SEZs are not finding takers and to suggest solutions for the benefit of the entire country," he has said. Even in his Independence Day address, Modi pressed for giving a boost to manufacturing sector and asked foreign companies to "come and make in India".

(Economic Times)