

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

STARRED QUESTION NO:90
ANSWERED ON:28.11.2006
TAX EXEMPTIONS TO SEZs
Gangwar Shri Santosh Kumar;Rijju Shri Kiren

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) the details of the Tax Exemptions granted to the Special Economic Zones(SEZs);
- (b) whether the Government is likely to suffer a sizeable revenue loss in next five years as a result of exemptions granted to the existing SEZs as reported by the National Institute of Public Finance and Policy(NIPFP) ;
- (c) if so, the details thereof including other suggestions made in the report by NIPFP; and
- (d) the steps taken by the Government in this regard?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY(SHRI KAMAL NATH)

- (a) Details of tax exemptions available to the Special Economic Zone (SEZ) Developer and SEZ Unit are laid on the table of the House.
- (b) NIPFP has not published any study on the impact of Special Economic Zones.
- (c) & (d) Do not arise.

STATEMENT REFERRED TO IN REPLY TO PART (a) OF LOK SABHA STARRED QUESTION NO. 90 FOR ANSWER ON 28TH NOVEMBER, 2006 REGARDING 'TAX EXEMPTIONS TO SEZs'

TAX EXEMPTIONS AVAILABLE TO SEZ DEVELOPERS & UNITS AS PER SPECIAL ECONOMIC ZONE ACT, 2005

SEZ Developers:-

- Exemption from customs/excise duties for development of SEZs for authorized operations approved by the BOA.
- Income Tax exemption on export income for a block of 10 years in 15 years under Section 80-IAB of the Income Tax Act.
- Exemption from minimum alternate tax under Section 115 JB of the Income Tax Act.
- Exemption from dividend distribution tax under Section 115O of the Income Tax Act.
- Exemption from Central Sales Tax (CST).
- Exemption from Service Tax (Section 7, 26 and Second Schedule of the SEZ Act).

SEZ Units:-

- Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units
- 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
- Exemption from minimum alternate tax under section 115JB of the Income Tax Act.
- External commercial borrowing by SEZ units upto US \$ 500 million in a year without any maturity restriction through recognized banking channels.
- Exemption from Central Sales Tax.
- Exemption from Service Tax.

