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## CHALLENGES AND FUTURE OF SPECIAL ECONOMIC ZONES (SEZ) IN INDIA WITH A SPECIAL FOCUS ON SRI CITY – AN INTEGRATED BUSINESS CITY

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### Abstract

*Special Economic zone (SEZ) is a geographical region that is designed to export goods and provide employment. SEZs are exempt from federal laws regarding taxes, quotas, FDI-bans, labour laws and other restrictive laws in order to make the goods manufactured in the SEZ at a globally competitive price. This articles presents an overview of SEZ's in India and the specific challenges faced by them. Besides it gives a detailed account of Sri City – An integrated Business City, a private SEZ which has brought in lot of socio economic development in the region of Sathyavedu, Nellore District of Andhra Pradesh.*

**Keywords:** SEZ, Special Economic Zone, SEZ and India, Sri City & Integrated Business City

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### Introduction

SEZ's provide a medium wherein it not only attracts foreign companies looking for cheaper and efficient location to setup their offshore business, but it also allows the local industries to improve their export through a proper channel and with the help of the new foreign partners to the outside world at a very competitive price. SEZ's offer relaxed tax and tariff policies which is different from the other economic areas in the country. Duty free import of raw materials for production is one example. Moreover the Free trade zones attract big players who want to setup business without any license hassles and the long process involved in it. Most of the allotment is done through a single window system and which is highly transparent system. The bottom-line therefore is increased export and FDI (Foreign Direct Investments) enabling increased Public-private partnership and ultimately resulting in a development of world class infrastructure, boost economic growth, exports and employment.

The SEZ's are important in today's context for the third world countries which have been in the race for rapid economic growth. There are many positives which emerge out of establishing an SEZ. Let us have a look on these factors. For undertaking any kind of massive development program the government requires huge amount of funds. So it looks out for potential partners to help the government carry out the program. Now say for setting up an SEZ, the government may tie up with a private partner whose willing to invest in that area, thus a win-win situation for both. As in the government gets the capital needed to establish the required infrastructure and also the expertise. The private player on the other hand gets the right to market and use the SEZ's with relaxed tax laws, thereby increasing its revenue generating capacity and also carrying out the economic growth of the company in a more efficient way with the better tax policies. Actually SEZ's with relaxed import tariffs help the Import dependent and export driven industries to flourish by helping them develop manufactured goods at competitive prices.

SEZ's create immense employment opportunities. The setting up of SEZ's creates lot of indirect employment in terms of labour required. Then after the completion it enables employment in the relevant industries operating in the SEZ. Then there are lots of indirect employments generated wherein people start investing around SEZ. For example SEZ's are townships of their own; thereby there are shopping malls, restaurants, amusement parks setup around to attract people, thus resulting in more economic development in that area.

Moreover SEZ's improve the country's foreign export. Because of the increased FDI and Private Equity presence, the local manufacturers get to tie up with these big names and export their products which now carry a better brand value, therefore helping in creating a greater demand for the goods of local manufacturers. Moreover the massive capital required for expansion is brought in form of FDI resulting in increased economic activity. The increased exports from the country bring in more revenue for the country which improves the economic growth. SEZ's help in creating a balanced economic growth in a country if they are properly located and implemented leading to tapping of local talent and contributing to increased economic activity in the area.

## India and SEZ

**Overview:** When the India's ex- commerce Minister Mr. Murasoli Maran returned from a trip to China in late 90's, he had witnessed something which would lead to revolutionary changes in the India's EXIM (Export-Import) policy and then the SEZ's were born.

The SEZ policy was first introduced in India in April 2000, as a part of the Export-Import ("EXIM") policy of India. Considering the need to enhance foreign investment and promote exports from the country and realizing the need that level playing field must be made available to the domestic enterprises and manufacturers to be competitive

globally, the Government of India in April 2000 announced the introduction of Special Economic Zones policy in the country deemed to be foreign territory for the purposes of trade operations, duties and tariffs. To provide an internationally competitive and hassle free environment for exports, units were allowed be set up in SEZ for manufacture of goods and rendering of services. All the import/export operations of the SEZ units are on self-certification basis. The units in the Zone are required to be a net foreign exchange earner but they would not be subjected to any pre-determined value addition or minimum export performance requirements. Sales in the Domestic Tariff Area by SEZ units are subject to payment of full Custom Duty and as per import policy in force. Further Offshore banking units are being allowed to be set up in the SEZs.

In India SEZ first amended in the year 2005 in the cabinet and brought in to existence in the year 2006 as per the SEZ act.

### **Scope of SEZ in India**

India is one of the first countries in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports. Asia's first EPZ was set up in Kandla in 1965. With a view to create an environment for achieving rapid growth in exports, a Special Economic Zone policy was announced in the Export and Import (EXIM) Policy 2000. Under this policy, one of the main features is that the designated duty free enclave to be treated as foreign territory only for trade operations and duties and tariffs. No license required for import. The manufacturing, trading or service activities are allowed. While EPZs are industrial estates, SEZs are virtually industrial townships that provide supportive infrastructure such as housing, roads, ports and telecommunication. The scope of activities that can be undertaken in the SEZs is much wider and their linkages with the domestic economy are stronger. Resultantly they have a diversified industrial base. Their role is not transient like the EPZs, as they are intended to be instruments of regional development as well as export promotion. As such, SEZs can have tremendous impact on exports, inflow of foreign investment and employment generation.

### **SEZ Act 2005**

To provide a stable economic environment for the promotion of Export-import of goods in a quick, efficient and hassle-free manner, Government of India enacted the SEZ Act, which received the assent of the President of India on June 23, 2005. The SEZ Act and the SEZ Rules, 2006 ("SEZ Rules") were notified on February 10, 2006. The SEZ Act is expected to give a big thrust to exports and consequently to the foreign direct investment ("FDI") inflows into India, and is considered to be one of the finest pieces of legislation that may well represent the future of the industrial development strategy in India. The new law is aimed at encouraging public-private partnership to develop

world-class infrastructure and attract private investment (domestic and foreign), boosting economic growth, exports and employment.

The SEZs Rules, inter-alia, provide for drastic simplification of procedures and for single window clearance on matters relating to central as well as state governments. Investment of the order of Rs.100,000 crores over the next 3 years with an employment potential of over 5 lakh is expected from the new SEZs apart from indirect employment during the construction period of the SEZs. Heavy investments are expected in sectors like IT, Pharma, Bio-technology, Textiles, Petro-chemicals, Auto-components, etc. The SEZ Rules provides the simplification of procedures for development, operation, and maintenance of the Special Economic Zones and for setting up and conducting business in SEZs. This includes simplified compliance procedures and documentation with an emphasis on self-certification; single window clearance for setting up of an SEZ, setting up a unit in SEZs and clearance on matters relating to Central as well as State Governments; no requirement for providing bank guarantees; contract manufacturing for foreign principals with option to obtain sub-contracting permission at the initial approval stage; and Import-Export of all items through personal baggage.

With a view to augmenting infrastructure facilities for export production it has been decided to permit the setting up of Special Economic Zones (SEZs) in the public, private, joint sector or by the State Governments. The minimum size of the Special Economic Zone shall not be less than 1000 hectares. Minimum area requirement shall, however, not be applicable to product specific and port/airport based SEZ. This measure is expected to promote self-contained areas supported by world- class infrastructure oriented towards export production. Any private/public/joint sector or State Government or its agencies can set up Special Economic Zone (SEZ).

### **Administrative set up for sezs**

SEZs is governed by a three tier administrative set up

- a) The Board of Approval is the apex body in the Department,
- b) The Unit Approval Committee at the Zonal level dealing with approval of units in the SEZs and other related issues, and
- c) Each Zone is headed by a Development Commissioner, who also heads the Unit Approval Committee.

### **Future of SEZ in India**

The Reserve Bank of India says that large tax incentives can be justified only if SEZ units establish strong “backward and forward linkages with the domestic economy” which is a doubtful proposition. Even the International Monetary Fund's (IMF) Chief Economist Raghuram Rajan has warned: “Not only will [the SEZs] make the government forgo revenue it can ill afford to lose, they also offer firms an incentive to shift existing production to the new zones at substantial cost to society.”

As much as 75 per cent of the SEZ area can be used for non-core activities, including development of residential or commercial properties, shopping malls and hospitals. Developers will surely use this to make money via the real estate route rather through export promotion. This represents a potentially humongous urban property racket of incalculable dimensions. India will see a multiplication of "Gurgaon-style" development, under the aegis of big builders such as DLF, Marathon, Rahejas, Unitech, City Parks and Dewan.

### **Challenges for SEZ in India**

The biggest challenges faced by SEZ's in today's scenario are the taking away of agricultural land from the farmers. The farmers are being paid disproportionate money which is not in lieu of the current land prices. The best example could be seen in the case of farmers from Kalinganagar in Orissa where the money given was disproportionate to as high as 1:10 with respect to the market rates. Moreover SEZ's are leading to decrease in crop production (arable Land Grabbing!) thus slowing down of agricultural activity in the country. (Though it may help boost it in other ways by increased export of local goods, both processed and non-processed). More and more farmers are moving towards the lucrative manufacturing side in search of greater economic security. Moreover the greatest problem that seems to be emerging out is that arable land is being used for non agricultural purpose which could lead to food crisis and loss of self sustenance in future. For example: Nadigram district of West Bengal. But FDI could also help in providing our farmers to gain access to technological better farming methods

The SEZ's if not properly located could lead to Supply Chain Management problems as well. Moreover improper planning could lead to unbalanced growth in the region giving an impression of pseudo-development. For example most of the SEZ's in China are in proximity to the ports and also close to each other, while these have been at the helm of economic development most of the interior hinterland is vastly underdeveloped. SEZ's could also lead to income disparities with divide between the rich and poor increasing if not properly planned.

SEZ's mostly if setup for the manufacturing sector should be carefully planned to carry out proper pollution monitoring and control mechanism. Stringent measures may prove to be expensive but are also extremely important. Shenzhen in china has been the worst affected among SEZ's in China where the sky is grey for most part of the day courtesy the polluting industries. The measures should be taken to make surroundings livable for multitude of people living in the SEZ's. Moreover care should be taken to properly treat effluents from industries not to affect surrounding rivers. Also the SEZ's should be carefully planned not to affect the natural habitat around (Gurgaon SEZ affecting the Bharatpur bird sanctuary)

Single-minded pursuit of growth has lowered the efficiency and effectiveness of economic policies, besides incurring huge resource and environmental costs. The

Chinese experience offers a valuable lesson for India. Neither the international nor the Indian experience with SEZs has been particularly happy. Globally, only a handful of SEZs, of the hundreds that exist, have generated substantial exports, along with significant domestic spin-offs in demand or technology up gradation. For each successful Shannon (Ireland) or Shenzhen (China), there are 10 failures – in the Philippines, Malaysia, Brazil, Mexico, Colombia, Sri Lanka, Bangladesh, why, even India. A 1998 report by the Comptroller and Auditor General (CAG) on export processing zones (EPZs) says: “Customs duty amounting to Rs. 7,500 corers was forgone for achieving net foreign exchange earnings of Rs.4,700 corers.

### **Sri City**

Sri City, a world-class Integrated Business City, located in Andhra Pradesh, just 55 km north of Chennai on the Andhra Pradesh - Tamil Nadu state borders, and spread in an area of 100 sq km area in Chittoor and Nellore districts of AP, offers holistic solutions for multiple investment options and lifestyle.

Sri City, 'Integrated Business City', equipped with world class infrastructure, offering holistic solutions for multiple investment options & lifestyle.

Taking advantage of the large workforce, talent pool, and well-developed best-in-class industrial infrastructure, Sri City stands as glittering example of industry extraordinaire.

Comprising a Special Economic Zone (SEZ), a Domestic Tariff Zone (DTZ), Free Trade Ware housing Zone (FTWZ) and an Electronic Manufacturing Cluster (EMC), all in its precincts, Sri City emerges a new vibrant manufacturing hub in the region. Conceptualized as a work-learn-live-play environment, Sri City balances the needs of business and investors looking for export manufacturing and entry into the Indian market, while developing the social infrastructure and quality environment needed for local development. A solar power plant, and other sustainable initiatives in Sri City are part of a wider ambition for becoming a carbon-neutral industrial zone.

It provides ready-built factories and offices, as well as quality housing options and public amenities for workers and families. Residential areas, commercial hubs, world-class healthcare, educational establishments, recreation centres and all the necessary amenities will support the industrial zones at Sri City, making this vast expanse of planned city a truly integrated development for commercial enterprise and life style. Sri City aims to become a carbon neutral city, and one of the best places in India to live and work in.

Its proximity to Chennai, the business and commercial hub of South India, gives Sri City a competitive edge over other locations. Sri City's strategic location offers access to the best of both states. In recognition of its world class infrastructure, international standards and commitment, Sri City received several prestigious awards, including the 'most valuable brands in the Country'.

Promoted by M/S Sri City Pvt., Ltd., Chennai in 2006, and inaugurated in August 2008, Sri City soon emerged as a well established name among the distinguished corporate entities in the country. Its steady growth in a short span stands as a testimony to the dynamic leadership of Mr. Ravindra Sannareddy, Founder Managing Director. As a 'son-of-the-soil' and as an established industry-captain, he amalgamated his extensive experience gained by living and doing business abroad with his strong roots in the local communities in creating Sri City as an International Business City and as a striking example of new urbanism in India. With its world-class infrastructure, international ambience and vibrant economic activity, Sri City is slated to become Asia's top-league industrial and educational destination.

Over the years, the journey hasn't been hunky dory for Sri City. Post the Lehman crisis towards the end of 2008, several companies pressed the pause button on their plans here. Things started to slow down, but Mr. Ravindra Sannareddy stuck to his decision to invest in the infrastructure, as he knew that unless a world-class infrastructure was developed, Sri City wouldn't be able to attract world-class companies. Thus, he viewed the slowdown as an opportunity to develop infrastructure at the lowest cost. Once the companies saw the infra was in place, they started to sign up.

Since the export markets were looking lackluster, Sri City Management set up a special domestic trade zone for multinational companies to help them improve their footprint in the domestic market.

#### **Sri City is a Multy Product SEZ comprising of:**

1. Domestic Tarrif Zone (DTZ).
2. Special Economic Zone (SEZ).
3. Free Trade and Ware Housing Zone (FTWZ).
4. Electronic Manufacturing Clusture (EMC).

#### **Cluster Benefits of a Large Scale Development**

Sri City has a large land-bank of 7500 acres with very good industrial infrastructure for manufacturing and service companies. The location of the SEZ, EMC, DTZ and FTWZ within its precincts offers the advantage of locating ancillary units close to the anchor unit. This is also conducive to enjoying multiple logistics and management benefits.

#### **Location and Connectivity**

Sri City is located on NH-5, bordering Andhra Pradesh & Tamil Nadu, two of the most developed states of India. It has access to five seaports within 100 km from Sri City and two international airports (Chennai & Tirupati) at an equidistance of 75 km. The rail connectivity is just 500 m way from the entrance of Sri City.

### **Talent Pool**

There is around 200K workforce available within 10km radius. Over 100K Engineers, 25K Polytechnic holders, 5000 ITI's are graduating in the region each year. Also for capacity building, IL&FS skill development centers are running in Chittoor and Nellore District which is in close proximity to Sri City.

### **International Expertise**

Jurong Consultants, Singapore, (master-planners of Suzhou SEZ in China and other infra planning) have done the master-plan for Sri City.

### **Potential for Large Investments**

Presently, Sri City has 130 operational units, and can still offer space to 270 units, totaling to 400 companies.

### **Special Economic Zone (SEZ)**

The Special Economic Zone is an exclusive customs bonded area for export oriented companies. The zone allows duty free imports of capital goods and raw materials and has corporate tax benefits.

SEZ is specially allocated for export companies as it support and provides special benefits to them. They enjoy duty free imports for capital goods related to production and raw materials, besides that, they also enjoy a graded tax holiday for first five years. The only condition attached to a unit is that, they must be a net foreign exchange owner of at least USD 1 per year.

As a rule of thumb, if a company has at least 50% exports, it should consider taking land in the SEZ and can sell in the local market after payment of customs duty and taxes.

### **Incentives that a unit would enjoy in SEZ :**

Special incentives package as per the SEZ Act 2005 and SEZ Rules 2006 are applicable to the SEZ units.

As per the SEZ Act, 2005 & the subsequent amendments, the below incentives are enjoyed by a unit:

1. 15-year graded Income Tax Holiday – 100 % for first 5 years and 50 % for next 10 years subject to conditions.
2. Exemption from local taxes.
3. Exemption from Excise and Customs Duties. Exemption from Central Sales Tax / VAT Exemption from Service Tax for services rendered in the zone
4. Single Desk Clearance.
5. 100% FDI through automatic route.

6. Domestic Sales on payment of applicable duty.
7. Offshore banking unit.
8. On-site customs clearance.

**For more details, please visit:** [www.sezindia.nic.in](http://www.sezindia.nic.in)

### **Domestic Tariff Zone (DTZ)**

The Domestic Tariff Zone caters primarily to the Indian market. This zone also acts as a location for ancillary units for SEZ operations.

### **Incentives that a unit would enjoy in DTZ :**

The incentives provided under the Industrial Policy of the Govt. of India and Govt. of Andhra Pradesh is applicable in the DTZ zone.

**For more details, please visit:** [http://www.apiic.in/wp-HYPERLINK "http://www.apiic.in/wp-content/uploads/2016/02/Indl-dev-policy-2015-20.pdf" content/uploads/2016/02/Indl-dev-policy-2015-20.pdf](http://www.apiic.in/wp-content/uploads/2016/02/Indl-dev-policy-2015-20.pdf)

### **Free Trade and Warehousing Zone (FTWZ)**

The FTWZ is a bonded area catering to all trading activities. SEZ and DTA units can use this facility, provided they pay rent in foreign exchange to the unit holders.

### **Incentives that a unit would enjoy in FTWZ :**

Special Incentives Package of the SEZ Act & Rules is applicable in FTWZ zone.

**For more details, please visit:** [www.sezindia.nic.in](http://www.sezindia.nic.in)

### **Electronics Manufacturing Cluster (EMC)**

The approved Electronics Manufacturing Cluster (EMC) is a dedicated area for the electronics sector. EMC is the ideal choice for the entire gamut of activities in the sector – electronic R&D, design & manufacturing, training centers and testing labs. Units in this cluster enjoy 25 % M-SIPS benefits and AP investment benefits of 10 % in addition to several other incentives.

### **Incentives that a unit would enjoy in EMC**

#### **Modified Special Incentive Package Scheme (M-SIPS)**

1. Applicable for new as well as for expansion projects.
2. Offers capital subsidy up to 20% for SEZ and 25% for DTA units on capital costs.
3. Reimbursement of CVD / Excise for capital equipment for non-SEZ units.
4. Reimbursement of Custom and Excise duties for high investment capital projects.

#### **State Government Benefits for EMC units**

1. Reimbursement of Stamp Duty.
2. 10% capital subsidy up to Rs 50 million.

3. Interest rebate of 5% for a period of 7 years (subject to maximum of 1 crore per annum per unit).
4. For skill upgradation & training, 50% reimbursement of the total cost to a maximum of Rs. 10,000 per employee.
5. 100% tax reimbursements on VAT/ CST for a period of 10 years subject to a maximum of 100% of fixed capital investment other than land (such as plant, machinery, building, testing equipment, etc.).

**Land is not for sale, but on lease for a period of 99 years.**

**The infrastructure facilities provided by Sri City to their customers**

**Road**

Well-laid roads with asphalt-paving are being developed with landscaping, solar street lamps, underground utilities, etc. Sri City's internal roads are of IRC standards and are divided into Arterial Road, Primary Roads, Secondary Roads and Tertiary Roads. Road width varies from 68 M ROW to 18 M ROW.

**Power**

450 MW Power has been allocated by the Government of Andhra Pradesh which will be distributed in phases. Please check the current power tariff in Andhra Pradesh

AP State provides uninterrupted power to Sri City and units. However, in practice we have about 5 outages per month (3 planned and 2 unplanned). The total outage is for about 2-3 hours per month. This is far better than in other states. Planned outages occur for maintenance or when we provide new connections. Unplanned outages occur when we have very heavy rains, lightning etc. which is very rare.

**Water**

Sri City has a confirmed allocation of one TMC FT (81 MLD) of water from the Government of Andhra Pradesh. Treated water for industrial use is supplied to the units. Water is supplied at 2 bar pressure.

**Sewage Treatment**

All industrial, commercial and residential units will be connected to the central sewage system. Units are not required to have Sewage treatment plants inside their premises. However, industrial effluents must be treated by the unit inside the factory as per APPCB rules. We only accept municipal sewage grade water into our STP facility.

Sri City only has STP plants where Municipal sewage is collected and treated for all units. Units must ensure that the discharge is within limits of municipal sewage norms.

All effluents must be treated in the unit itself, and all costs and responsibility is to be borne by the unit.

**Green Initiatives**

Over 10% of the industrial area is being developed as green space. Some of the green initiatives include an 8 MV solar power plant, solar-powered street lights, and solar traffic control systems, re-cycling of water and using electric vehicles to travel within Sri City. We have over one million plants at present. A large nursery supplies plants at nominal prices to units.

**Tele-communications**

All the communication mediums, from ISDN, data transferring, voice mailing to video conferencing is available at Sri City via leading telecom providers: Airtel, Reliance, Aircel, Vodafone, Tata Docomo and BSNL.

**Gas**

A major gas pipeline network, connecting Krishnapatnam and Chennai (passing very close to Sri City) is planned by GAIL. This is based on imported LNG. GAIL also proposed to lay pipelines in Sri City in 2018 based on the demand from units.

**Storm Water Drainage**

The storm water drainage network runs along all roads that border customer units, enabling efficient drainage and discharge of rain water.

**Rain Water Harvesting**

This is mandatory for all units and must be done by the customer.

**Ground Water**

Although ground water is available in the short depth, it is not permitted to use in Sri City. The units do not have permission to drill bore well inside their plot.

Sri City will supply water to all units based on their requirements.

**The products Sri City offers to their customers****Developed Land Parcels**

Land will be given on 99 year lease including infrastructure like power, water, storm water drain, sewage line along the road closest to the plot.

**Built-to-Suit**

Customer shall take the lease of land, but the construction will be facilitated by Sri City's design and construction services as per the requirement.

### **Ready Built Factory (RBFs)**

The ready-built factories are for customers who want to begin operations immediately, and/or for those whose requirements are limited to standard design factories. They are available only in module of 1000 to 2000 sq. m.

### **Plug and Play Office Space**

These modular offices are fully furnished with all the business amenities. Rental will include cost for space and other utilities.

### **Cold Shell Space**

Rental includes bare shell; the customer will make provision for all utilities unlike built-to-suit.

### **The services Sri City offers to their customers**

1. Approvals facilitation with single desk.
2. Manpower and shop floor workers short listing as per company requirements.
3. Operations and maintenance service.
4. Appointment with AP state government for customized incentive package for larger units.
6. Providing plants and trees to units from nursery on cost basis.
7. Basic language training and other training like plumbing, electrical, etc. to local people making them more employable.
9. Provide free shuttle service within the park at regular intervals, thus making travel easier for workers.
11. Common water and sewage treatment facilities.
12. Japanese desk in Sri City.

### **The incentives that the State Government offers for setting up a unit in Andhra Pradesh Ease of doing business**

1. Single Desk Clearance within 21 working days.
2. Spot approvals shall be given in case of clearances /approvals which require only a scrutiny of basic documents.
3. Exemptions from seeking approvals for investments in certain category of Industries.
4. Assignment of Inspection to Private Technical Experts.
5. Deemed approvals based on self-certification

**Parallel Processing of clearances:** Based on a review of applicable laws & regulations governing approvals & clearances, all intra-approval dependencies have been dispensed with and parallel processing of all clearances has been introduced to expedite closure of application process

State Investment Promotion Board (SIPB) and Empowered Committee of Secretaries for expediting decision making.

### **Assistance to Foreign Investors by setting up select country specific desk**

1. Provide best spoke investor facilitation.
2. Handholding services in form of local information & expertise.
3. Comprehensive portal with business opportunity related information.

### **Financial Incentives**

1. GoAP will provide fixed power cost reimbursement @ Rs.1 per unit for 5 years from the date of Commencement of Commercial Production (CoCP) (For certain specific sectors this may be higher).
2. 100% reimbursement of stamp duty and transfer duty paid by the industry on purchase or lease of land meant for industrial use. Stamp duty will be reimbursed only one time on the land. Stamp duty will not be waived on subsequent transactions on the same land.
3. 100% reimbursement of stamp duty for lease of land/shed/buildings, mortgages and hypothecations.
4. VAT/CST/SGST reimbursement incentives for 5 years from date of CoCP:

**Micro & Small\*** : 100%

**Medium\*** : 75 % (for 7 years from CoCP)

**Large\*** : 50% (for 7 years from CoCP)

**Note:** For Medium & Large industries, the above reimbursement is applicable until realization of 100% of fixed capital investment, whichever is earlier.

*Kindly refer to GoAP web site for complete details and amendments, if any.*

### **Incentive for Mega projects**

1. Mega projects, means the projects with an investment of at least Rs.500 crore or that creates direct employment to 2000 people, is eligible for all the incentives available for Large Industries and Medium Scale Enterprises.
2. Incentive packages are negotiable on case to case basis with Govt. of Andhra Pradesh, Commissioner of Industries.

### **Category of industries that can be a part of Sri City**

**Sri City allows white, green and orange** category industries in their park. *For more information, please contact Andhra Pradesh Pollution Control Board.*

### **Units have to recruit local persons**

The State gives land for industrial use for investment and employment generation. We expect that about 10 % of the work force will be taken from the local area where people have given land for the project. This is subject to their suitability in units. This

guideline is for unskilled and semi-skilled workers only and does not cover officers and Managers.

It is important to note here that units may not get incentives from the State if they do not meet these guidelines.

Many international companies like Unicharm, Foxconn have employed large numbers of locals and have found that their productivity is better than in other parts of the country.

Providing opportunities to locals is an important part of CSR for all units and HR heads must be sensitized to this from the beginning.

### **The role of the Development Commissioner**

The Development Commissioner (DC) is a senior Govt officer who is the Administrator of the SEZ. He ensures that the developer and the units comply with the SEZ ACT and rules. The DC's office also has the authority to give permission for the following tasks:

1. Letter of approvals for new units.
2. Import of duty free material.
3. Customs.
4. SEZ security.
5. Issue of MEIS scrip's, and All administrative matters related to the SEZ.
6. Taking up common issues with BOA for decisions, Control and monitoring of SEZ operations.

### **Conclusion**

The SEZ's could drastically improve the economic activity in the country, make the country's export competitive and globally noticeable, be net foreign exchange earner and provide immense employment opportunity. But this should not be done at the cost of bringing down the agricultural activities, Land grabbing and real estate mafia should be properly regulated so that the common man is not the net sufferer to get the net foreign exchange earner up and running. As compared to china where majority of the SEZ's were setup by the government, similar should be adopted in India, if not fully it should be a public-private partnership and regulatory bodies should be properly managed to weed out fallacies. To be economically viable SEZ's should be approved over a particular land area (greater than 1000 acres) for rapid economic growth in the area and for it to be profitable and self sustainable. Relaxed Tax norms, Labor laws and DTA regulations will surely attract foreign investment and major industries to setup industries in the SEZ's making it profitable and meeting its desired results!

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