

SEZ Hotline

September 27, 2006

MINISTER SEZs: TO USE OR NOT TO USE PRIME AGRICULTURAL LAND

The Special Economic Zone (“SEZ”) Act, 2005 (the “Act”) and the SEZ Rules, 2006 (the “Rules”), again came under fire when an issue was raised about the nature of land to be allocated for SEZ purposes¹.

The SEZ is a Government of India-notified special geographical area, ear-marked for specific commercial activities and sectors, which are export-oriented. The developer and a unit in an SEZ are entitled to certain income tax benefits over a prescribed period of time, in addition to other taxation benefits. The Rules mandate the minimum area requirements for sector specific / multi-purpose SEZs which are located in different states. The procedure for obtaining an approval for an SEZ is very detailed and is specified in the Act and Rules. The developer of the SEZ has to identify the land and mention it as a vital part of the application to the requisite authorities, which comprise of a Board of Approval instituted under the Act and the State Government.

The Minister for Commerce and Industry, Government of India, Mr. Kamal Nath, in a news report², has urged the State Governments to ensure that the land that is proposed to be utilized for SEZ is not prime agricultural land. Lands, which are less fertile, or are wastelands, may be used instead. It was also mentioned in the news report that it was vital to formulate a compensation, resettlement and rehabilitation policy for protecting the interests of the persons displaced due to industrial projects

These views come in at a time when the SEZ regime is under a controversy. While the Commerce Ministry is bullish on it due to its impact on boosting industrial development and growth, the Finance Ministry is concerned about the revenue losses that will result due to the various tax concessions under the regime. The revenue loss is estimated to be INR. 1,700,000 million.

Impact: In view of this, the Government of India may modify the Act or the Rules with regard to the land to be identified for the SEZ purposes and the compensation or rehabilitation of the displaced farmers. Mean while, we have to wait and watch the developments.

- **Diptee Deshpande & Vyapak Desai**

Source:

1. *The Economic Times*, September 24, 2006
2. *The Financial Express*, September 26, 2006

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

Research Papers

Compendium of Research Papers

January 11, 2025

FAQs on Setting Up of Offices in India

December 13, 2024

FAQs on Downstream Investment

December 13, 2024

Research Articles

INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

Key changes to Model Concession Agreements in the Road Sector

January 03, 2025

The Revolution Realized: Bitcoin's Triumph

December 05, 2024

Audio

Securities Market Regulator's Continued Quest Against “Unfiltered” Financial Advice

December 18, 2024

Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

Renewable Roadmap: Budget 2024 and Beyond - Part I

August 26, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

Click here to view Hotline archives.

Video

“Investment return is not enough” Nishith Desai with Nikunj Dalmia (ET Now) at FI18 event in Riyadh

October 31, 2024

Analysing SEBI's Consultation Paper

on Simplification of registration for
FPIs

September 26, 2024

Scope of judicial interference and
inquiry in an application for
appointment of arbitrator under the
(Indian) Arbitration and Conciliation
Act, 1996

September 22, 2024