

## CHAPTER II

### Establishment of Special Economic Zone

#### Procedure for making proposal to establish Special Economic Zone.

3.(1) A Special Economic Zone may be established under this Act, either jointly or severally by the Central Government, State Government, or any person for manufacture of goods or rendering services or for both or as a Free Trade and Warehousing Zone.

(2) Any person, who intends to set up a Special Economic Zone, may, after identifying the area, make a proposal to the State Government concerned for the purpose of setting up the Special Economic Zone.

(3) Notwithstanding anything contained in sub-section (2), any person, who intends to set up a Special Economic Zone, may, after identifying the area, at his option, make a proposal directly to the Board for the purpose of setting up the Special Economic Zone:

Provided that where such a proposal has been received directly from a person under sub-section, the Board may grant approval and after receipt of such approval, the person concerned shall obtain the concurrence of the State Government within the period, as may be prescribed.

(4) In case a State Government intends to set up a Special Economic Zone, it may after identifying the area, forward the proposal directly to the Board for the purpose of setting up the Special Economic Zone:

Provided that the Central Government may:

- (a) after consulting the State Government concerned;
  - (b) without referring the proposal for setting up the Special Economic Zone to the Board; and
  - (c) after identifying the area;
- suo moto set up and notify the Special Economic Zone

(5) Every proposal under sub-sections (2) to (4) shall be made in such form and manner containing such particulars as may be prescribed.

(6) The State Government may, on receipt of the proposal made under sub-section (2), forward the same together with its recommendations to the Board within such period as may be prescribed.

(7) Without prejudice to the provisions contained in subsection (8), the Board may, after receipt of the proposal under sub-section (2) to (4), approve the proposal subject to such terms and conditions as it may deem fit to impose, or modify or reject the proposal.

(8) The Central Government may prescribe the following requirement for establishment of a Special Economic Zone, namely:-

- (a) the minimum area of land and other terms and conditions subject to which the Board shall approve, modify or reject any proposal received by it under sub-section (2) to (4) ; and
- (b) the terms and conditions, subject to which the Developer shall undertake the authorised operations and his obligations and entitlements.

Provided that different minimum area of land and other terms and conditions referred to in clause (a) may be prescribed by the Central Government for a class or classes of Special Economic Zones.

(9) If the Board,-

- (a) approves without any modification, the proposal received under sub-section (2) to (4), it shall communicate the same to the Central Government;
- (b) approves with modifications the proposal received under sub-section (2) to (4), it shall, communicate such modifications to the person or the State Government concerned and if such modifications have been accepted by such person or the State Government, the Board shall communicate the approval to the Central Government;
- (c) rejects the proposal, received under sub-section (2) to (4), it shall record the reasons therefor and communicate the rejection to the Central Government which shall intimate to the State Government or the person concerned.

(10) The Central Government shall, on receipt of communication under clause (a) or clause (b) of sub-section (9), grant, within such time as may be prescribed, a letter of approval on such terms and conditions and obligations and entitlements as may be approved by the Board, to the Developer, being the person or the State Government concerned:

Provided that the Central Government may, on the basis of approval of the Board, approve more than one Developer in a Special Economic Zone in cases where one Developer does not have in his possession the minimum area of contiguous land, as may be prescribed, for setting up a Special Economic Zone and in such cases, each Developer shall be considered as a Developer in respect of the land in his possession.

(11) Any person who, or a State Government which, intends to provide any infrastructure facilities in the identified area referred to in sub-section (2) to (4), or undertake any authorised operation may, after entering into an agreement with the Developer referred to in sub-section (10), make a proposal for the same to the Board for its approval and the provisions of sub-section (5) and sub-sections (7) to (10) shall, as far as may be, apply to the said proposal made by such person or State Government.

(12) Every person or a State Government referred to in subsection (11), whose proposal has been approved by the Board and who, or which, has been granted letter of approval by the Central Government, shall be considered as a Co-Developer of the Special Economic Zone.

(13) Subject to the provisions of this section and the letter of approval granted to a Developer, the Developer may allocate space or built up area or provide infrastructure services to the approved units in accordance with the agreement entered into by him with the entrepreneurs of such Units.

### **Establishment of Special Economic Zone and approval and authorisation to operate to, Developer**

4. (1) The Developer shall, after the grant of letter of approval under sub-section (10) of section 3, submit the exact particulars of the identified area referred to in sub-section (2) to (4) of that section, to the Central Government and thereupon that Government may, after satisfying that the requirements, under sub-section (8) of section 3 and other requirements, as may be prescribed, are fulfilled, notify the specifically identified area in the State as a Special Economic Zone:

Provided that an existing Special Economic Zone shall be deemed to have been notified and established in accordance with the provisions of this Act and the provisions of this Act shall, as far as may be, apply to such Zone accordingly:

Provided further that the Central Government may, after notifying the Special Economic Zone, if it considers appropriate, notify subsequently any additional area to be included as a part of that Special Economic Zone.

(2) After the appointed day, the Board may, authorise the Developer to undertake in a Special Economic Zone, such operations which the Central Government may authorise.

### **Procedure for making proposal to establish Special Economic Zone**

5.1) The Central Government, while notifying any area as a Special Economic Zone or an additional area to be included in the Special Economic Zone and discharging its functions under this Act, shall be guided by the following, namely: -

Guidelines for notifying special Economic Zone.

- (a) generation of additional economic activity
- (b) promotion of exports of goods and services;
- (c) promotion of investment from domestic and foreign sources;
- (d) creation of employment opportunities;

- (e) development of infrastructure facilities; and
- (f) maintenance of sovereignty and integrity of India, the security of the State and friendly relations with foreign States.

### **Processing and non-processing areas.**

6. The areas falling within the Special Economic Zones may be demarcated by the Central Government or any authority specified by it as-
- (a) the processing area for setting up Units for activities, being the manufacture of goods, or rendering services; or
  - (b) the area exclusively for trading or warehousing purposes; or
  - (c) the non-processing areas for activities other than those specified under clause (a) or clause (b).

### **Exemption from taxes, duties or cess**

7. Any goods or services exported out of, or imported into, or procured from the Domestic Tariff Area by,-
- (i) a Unit in a Special Economic Zone; or
  - (ii) a Developer;
- shall, subject to such terms, conditions and limitations, as may be prescribed, be exempt from the payment of taxes, duties or cess under all enactments specified in the First Schedule.