



Pre-Budget meeting of Hon'ble FM on 18th November 2025

Union Minister for Finance and Corporate Affairs Smt. Nirmala Sitharaman chaired the sixth Pre-Budget Consultation today in New Delhi with leaders from the manufacturing sector ahead of Union Budget 2026-27. Representing the Special Economic Zones and Export-Oriented Units ecosystem, Chairman EPCES Shri Badiga Srikanth participated in the deliberations and highlighted Key points-



Pre-Budget meeting of Hon'ble FM on 18th November 2025

Proposals from Export Promotion Council for EOUs and SEZs (SEZEPC)

1. ‘100 Industrial Parks with Plug & Play Infrastructure should be Developed Alongside SEZs for Tapping Export Share and Support ‘Atma Nirbhar Bharat’

The government has announced for the creation of investment ready, ‘plug and play’ industrial parks with complete infrastructure in 100 cities in partnership with the states and private sector during final Budget announcement for FY 2024-25.

These parks should be located closer (in and around) the existing manufacturing SEZs since these parks already have or already in the process of creating the necessary common industrial infrastructural facilities.

The industrial parks when surrounded by SEZs, create the necessary business environment for industrial development, which expand the necessary magnitude for achieving the economies of scale. This will encourage more units and companies along the value chain including but not limited MSMEs, which will help create the entire ecosystem for business growth.

MSMEs being huge employment generators, will further attract labour, generating not only huge employment opportunities, but also increasing the standard of living and social welfare to the masses.

The clusters will not only reinforce innovation and efficiencies due to competition for skilled resources but also enable established SEZ developers, with the necessary wherewithal to participate strongly in ‘industrial hub’ creation, thereby combining resources, capital and infrastructure for export-oriented growth while meeting domestic demand.

The classic case in question is China, which followed this recipe since the early years of SEZ inception. It created SEZs and domestically oriented industrial parks including high tech parks in close vicinity, which helped the flow of technology and labour in the area thereby promoting efficiency and strengthening value chains. This model promotes agglomeration benefits reducing time, scale and cost of production.

This combination of plug and play industrial parks around SEZs will be the most successful initiative by the government boosting employment, investment and export growth manifold.

Since , large extent of land is required , land pooling involving the land owners as part of the project will reduce the project cost and will encourage cooperative model infrastructure development.

Likewise, it was assured to include landowners as a part of the SEZ ecosystem by providing similar status as that of SEZ Developers for SEZ development under the Joint Development Model. This issue may also be clarified at least in respect of SEZs, which will encounter the development of new Industrial Parks.

2. Levy of Customs Duty on sale of goods in the domestic market by SEZ manufacturers

This is regarding levy of customs duties when finished goods are sold in the domestic market by the SEZ manufacturers.

The proposal is that customs duty should be levied only on the **imported content** in the finished goods rather than on the **full value** of finished goods.

Presently, SEZ manufacturers in India, have to pay customs duties on the **total value of finished goods** when sold in the domestic market.

In most countries, such as US, UK, China, Indonesia, Thailand, etc, customs duty is levied only on the **imported content** in the finished goods when goods are sold in the domestic market.

Asking SEZ manufactures to pay customs duties on the **full value** of finished goods mean value addition/manufacturing in Indian SEZs is being discouraged.

SEZs generate employment in India and pay income tax in India only. They should not be equated with import of goods from foreign countries. Goods are being manufactured in India only

This is creating problem for the manufacturers in SEZs to serve domestic market along with exports markets. India is a huge domestic market. Investors who want to serve export market cannot ignore domestic market. This is all the more required for having economies of scale. The investors are not expected to have separate factories for serving domestic market and export markets.

This is already allowed in case of manufacturers under MOOWR scheme or EOU scheme.

The proposal has already been taken up by the D/o Commerce and is pending for the approval of the Finance Ministry.

2. Payment for supply of services from SEZs to DTA should be allowed in INR.

Payment for supply of services from SEZs to DTA should be allowed in INR. It is already allowed for goods. There is no justification for promoting foreign currency for transaction between SEZs and DTA.

This is happening because of interpretation of definition of “Services” in the SEZ Act (Sec 2(z)).

The proposal has already been taken up by the D/o Commerce and is pending for the approval of the Finance Ministry.

3. No export duty on purchase of goods by SEZ manufacturers from domestic market

There should be no export duty on purchase of goods from domestic market by SEZ manufacturers. Such goods are being used for manufacturing goods for exports on which there is no export duty.

Export duty should be payable for exports abroad from SEZs and not on goods supplied from DTA to SEZs. This export duty has been levied by SEZ Rules which is wrong. Supreme Court have also set it aside. Necessary changes should be made in the SEZ Rules.

The proposal has already been taken up by the D/o Commerce and is pending for the approval of the Finance Ministry.

4. IT/ITES Services Units be allowed to spend towards hiring new employees rather than on acquiring plant/machinery under sec 10AA(1)(ii) of old IT Act (Sec 144 of new SEZ Act)

As per sec 10AA (1) (ii) of old IT Act, for SEZ units, for the third block of 5 years, a deduction of amount up to 50% of the profit is allowed for calculation of total income which has to be utilized by the unit for the purpose of acquiring machinery or plant in accordance with 10 AA(2)(b). However, in case of SEZ units in services sector, it is not possible to spend on plant and machinery as their main capital is employees. Therefore, there is need for relaxation in this condition which is suitable for units in services sector. In case of services sector, units should be asked to spend towards hiring additional new employees.
