



## **Business Setup in Special Economic Zones: in India**

---

A Special Economic Zone (SEZ) refers to an allocated and demarcated geographical area wherein the government has taken steps to liberalize the mercantile, business, and trade laws in order to encourage business activity and separate it from different parts of the country.

The geographical area is demarcated by duty-free business and different economic policies formulated in order to benefit the investors and increase both domestic and foreign direct investments and boost employment in the economy.

Special Economic Zones may be a demarcated districts or any other specific geographical location having domestic laws relating to trade and business as different from the other part of the country, which may also be in form of a buffer state. Examples of Special Economic Zones include various territories in countries like China, Japan, Russia, Ukraine, Afghanistan, etc.

- Objectives of SEZ
- Setting Up And Establishment Of Units In SEZ Zone
- Benefits And Incentives Of Establishing A Business Unit In A SEZ
- Conclusion
- FAQs
  - How do I set up a business in SEZ?
  - What are the benefits of setting up business in Special Economic Zone?
  - What are the requirements for setting up unit in SEZ?
  - What are the objectives of setting up Special Economic Zones?

### Objectives of SEZ

There are various objectives of setting up an exclusive Special Economic Zone or SEZ due to which any government through its policy decisions or administrative functions may indulge in setting up a SEZ. Some of the

objectives are as follows:

- Setting up a Special Economic Zone enables the promotion of foreign investments in the country and boosts domestic investments also.
- The setting up of various new industries in a SEZ leads to a boost in local employment in both labour and service sector jobs. Therefore, new opportunities are created in the market.
- The infrastructure and facilities of a region get developed due to the onset of new industries and producers in the country.
- There is an inflow of new ideas, technologies, and methods of production and a boost in trade activities of a country due to the setting up of a Special Economic Zone.

#### Setting Up And Establishment Of Units In SEZ Zone

Section 15 of the SEZ Act provides the procedure for setting up a SEZ unit. In order to set up a unit at a place demarcated as a SEZ, a company needs to submit its proposal to the respective state government, which will further forward it to a body called the Board of Approval. The Board of Approval can also be reached out directly by the applicant and is set up by the Central Government which consists of 19 individual members.

The main function of the board is to perform proper scrutiny of applications for setting up business in Special Economic Zones through decisions taken by the board in the general consensus of 1/3<sup>rd</sup> of the total members of the board. The board also consists of a quorum of the secretary of the Department of Commerce and Industry, members of the Central Board of Direct Taxes, Ministry of Law and Justice, Ministry of Home Affairs and representatives of many other ministries.

After the approval of the board, the notification of the area of the SEZ is done by the Central Government and post the notification, it is the duty of the Development Commissioner to grant appropriate approval to the company in order to set up their business.

A New User Application (NUA) is also mandatory for Business setup in special economic zones in India. In NUA, mandatory information pertaining to general details of the company, details of directors, type of production, etc. is needed to be furnished. In case the clearance has been given by the authorities vide a letter of approval, the prescribed fees also need to be paid.

Another important aspect of setting up an industry in a special economic zone is a letter of approval which is issued by a Development Commissioner under the act. The validity of the letter is one year from the date of approval and it needs to be renewed within one year along with the commencement of business activities and operations within one year.

The Letter of Approval may also be cancelled subject to contravention of any terms and conditions that have been laid down. Moreover, it is essential that a fair chance of hearing must be given to the concerned party before cancelling the letter. Also, the Development Authority needs to be communicated while formulating and exercising the plans for production.

#### Benefits And Incentives Of Establishing A Business Unit In A SEZ

There are various benefits and incentives associated with business setup in special economic zones in India which are as follows:

- Taxation benefits – the business houses which set up their units in the Special Economic zones not only get the benefit of FDI Policies in SEZ India but also get exemption from Central and State taxes in order to boost their

business productivity This helps the units to operate on higher profit margins.

- Investment incentives in SEZ India- There are various investment incentives with respect to raising the capital of the company that get relaxed while applying for setting up a unit in a Special Economic Zone.
- Labour Regulations – The labour and staffing regulations are often relaxed by the government in SEZ in order to enhance the ease of doing business in the area.
- Relaxation in environmental compliances – there are various relaxations in environmental compliances in Special Economic Zones which lead to better functioning and less red tapism in the company.
- Single Window Approval System – there is a single window approval system for business units for their licensing and approval requirements has also been laid down.
- Licensing requirements – Due to the nature of activities and the purpose of framing SEZ, a huge relaxation in compliance and licensing requirements has been given to the Special Economic Zones in order to promote business activities.

#### Conclusion

The Special Economic Zones have turned out to be a big advantage to Investment incentives in SEZ India-which have further incentivized international companies to invest in India due to FDI policies in SEZ India. Various tax benefits are involved, licensing regulation benefits and other key benefits that have enabled the idea of special economic zones to become a success and boost the growth of the country along with strengthening international trade relations and inflow of foreign currency along with ease of doing business in India.

The licensing requirements and procedure to govern business in Special Economic Zones also make it a lucrative option for companies to invest and indulge in such business activities and therefore this program has been successful in the Indian business setup.

#### FAQs

How do I set up a business in SEZ?

An application to the state government can be made by any individual, cooperative society or company for setting up their business in a Special Economic Zone. The application is subject to the approval of the Board of Approval.

What are the benefits of setting up business in Special Economic Zone?

The benefits of setting up a business in a special economic zone are tax planning, relaxed rules and regulations, labour compliance relaxations and increased Foreign Direct Investments.

What are the requirements for setting up unit in SEZ?

The documents pertaining to the company along with an application for setting up the business must be given to the concerned development authority in order to set up a unit in SEZ.

What are the objectives of setting up Special Economic Zones?

The objectives of setting up a Special Economic Zone is increased trade, foreign direct investments, employment generation, and growth of the economy.

King Stubb & Kasiva,

Advocates & Attorneys

[Click Here to Get in Touch](#)

New Delhi | Mumbai | Bangalore | Chennai | Hyderabad | Mangalore | Pune |  
Kochi | Kolkata

Tel: +91 11 41032969 | Email: info@ksandk.com