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Q10

There is a clear acknowledgement that Special Economic Zones (SEZs) are a tool of industrial development, manufacturing and exports. Recognising this potential, the whole instrumentality of SEZs require augmentation. Discuss the issue plaguing the success of SEZs with respect to taxation, governing laws and administration.

UPSC Civil Services Mains 2015 · GS III · 12 marks · Indian Economy

Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

Facts & figures for this PYQ only.

Numbers move. Confirm the latest Budget, Economic Survey or census round. This sheet is for revision, not a substitute for the model answer.

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SEZ Act 2005

Union law creating special economic zones as deemed foreign territory for authorised operations, with a **Development Commissioner**.

MAT on SEZs

Minimum Alternate Tax extended to SEZ developers and units from financial year 2011-12, reducing the effective income-tax holiday.

DDT on developers

Dividend Distribution Tax applied to SEZ developers around 2011, another cut in the original incentive pack.

Land Acquisition Act 2013

Raised consent, social-impact and compensation requirements, which slowed large contiguous manufacturing SEZs.

DTA

Domestic Tariff Area: sales from the SEZ into the rest of India are capped and taxed, which complicates mixed-market plants.

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