

## Fiscal Incentives

### **Customs and Excise**

- **Duty Benefits:** SEZ units may import or procure from domestic sources all their requirements of capital goods, raw materials, consumables, spares, packing materials, office equipment, DG sets etc. duty-free.
- Duty-free import/domestic procurement of goods for setting up of SEZ units.
- Goods imported/procured locally duty-free could be utilised over the approval period of 5 years.
- Domestic sales by SEZ units will now be exempt from SAD.
- Domestic sale of finished products, and by-products on payment of applicable Custom duty.
- Domestic sale rejects, waste and scrap on payment of applicable Custom duty on the transaction value

### **Income Tax Benefits**

- 100% IT exemption (10A) for the first 5 years and 50% for 2 years thereafter. Reinvestment allowance to the extent of 50% of ploughed back profits Carry forward of losses
- Exemption from minimum alternate tax under section 115JB of the Income Tax Act

### **Foreign Direct Investment**

- 100% foreign direct investment under the automatic route is allowed in the manufacturing sector in SEZ units
- No cap on foreign investments for SSI reserved items

### **Banking/Insurance/External Commercial Borrowings**

- Setting up Off-shore Banking Units allowed in SEZs.
- OBU's allowed 100% Income Tax exemption on profit for 3 years and 50 % for the next two years.
- External commercial borrowings by units up to \$ 500 million a year are allowed without any maturity restrictions.
- Flexibility to keep 100% of export proceeds in the EEFC account. Commodity hedging is permitted.
- Exemption from interest rate surcharge on import finance.
- SEZ units are allowed to 'write off' unrealized export bills.

### **Service Tax & CST**

- Exemption to sales made from Domestic Tariff Area to SEZ units.
- Exemption from Service Tax to SEZ units.

### **Companies Act**

- Enhanced limit of Rs. 2.4 crores per annum allowed for managerial remuneration Agreement to opening of Regional office of Registrar of Companies in SEZs.
- Exemption from requirement of domicile in India for 12 months prior to appointment as Director.

### **Labour Laws**

- The Development Commissioner has been delegated, with the powers of Commissioner of Labour and Inspector of Factories and declared nodal authority for clearances in respect of all State Government Departments

- All concerned State Government Departments shall depute an officer to look after permissions/clearances in respect of SEZ units
- A self-certification procedure has been introduced for filing regular returns.
- Public Utility Status granted.
- Women working night shifts allowed for software units.

#### **Govt. of AP Incentives**

Govt. of AP in order to attract the units in JNPC has also offered the following incentives to attract domestic and international investments and entrepreneurs into JNPC and other industrial clusters

- Exemption from levy of VAT on the inputs supplied by the units within SEZ and off Zone to the units located in the SEZ
- Exemption from payment of stamp duty and registration fee on registration of lease deeds of plots/SDFs allowed in VSEZ
- 100% exemption from payment of stamp duty and registration fee for loan agreements, credit deeds, mortgages and hypothecation deeds executed by the Special Economic Zone units for assets in the Special Economic Zone in favour of Banks and Financial Institutions