

Karnataka-State Policy for Special Economic Zone

Preamble:

Government of India has introduced the concept of Special Economic Zones (SEZs) in the year 2000 through a revision in the Export -Import Policy 1997-2002.

SEZs are specifically delineated duty-free enclaves treated as a foreign territory for the purpose of industrial, service and trade operations, with exemption from customs duties and a more liberal regime in respect of other levies, foreign investment and other transactions, domestic regulations, restrictions and infrastructure inadequacies are sought to be eliminated in the SEZs for creating a hassle-free environment. The SEZ scheme seeks to create a simple and transparent system and procedures for enhancing productivity and the ease of doing business.

SEZs can be developed in the public, private or joint sectors, or by the State Governments. They are expected to promote the establishment of large, self-contained areas supported by world class infrastructure oriented towards export production. Exploiting the full potential of the concept of SEZs would bring large dividends in terms of economic and industrial development and the generation of new employment opportunities.

Government of Karnataka has proposed to set up a SEZ at Hassan, which is midway between Bangalore and Mangalore on NH-48. The Proposal approved in respect of the Hassan SEZ are detailed in G O No. 94 SPI 2001 dated 19th April 2001 and 20th Oct. 2001. Government is also proposing to establish an exclusive SEZ for electronic hardware near the proposed International Airport at Devenahalli. Government is also proposing to convert existing Export Promotion Industrial Park at White Field, Bangalore and the proposed Export Promotion Industrial park at Mangalore (which is under implementation in SEZ. Government may also consider establishing of SEZs in other parts of the State.

In view of the above, the matter of formulating a policy regarding the development of SEZs has been under the consideration of the State Govt. The following policy initiatives are therefore, proposed for the SEZs.

Implementing Agency

Karnataka Industrial Areas Development Board (KIADB) will be the State agency for implementation of SEZs either independently or in association with the private sector partners.

Development Commissioner

All matters pertaining to SEZs in the State will be looked after by an exclusive Development Commissioner for each SEZs and will function from the SEZ site.

Environment Clearance

NOCs, consents and other clearances required for the Karnataka State Pollution Control Board for units and activities within the SEZs would be granted by the empowered officer of the Board working under the administrative supervision and control of the designated Development Commissioner for the SEZs. The activities / Projects noted in Annexure-1, which fall within the ambit of the environmental Impact Assessment Notification, 1994 (as amended on 4th May 1994) will have to obtain environment clearance from the Ministry of Environment & Forest, Govt. of India. Delegates the powers to the designated development Commissioner or other authority within the SEZ, the clearances may be sought accordingly.

According Environmental clearance to the projects and activities mentioned in Annexures (II and III) will vest with the designated Development Commissioner of the SEZ.

Water Supply

The SEZ authority shall ensure the provisions of adequate water supply within the SEZ.

Power

The SEZ authority will ensure continuous and good quality power supply to the SEZs. Public Sector Enterprises or Joint Ventures promoted by them can establish independent Power Plants (IPPs) which will be permitted to establish dedicated provision of power to the SEZ, including generation, transmission and distribution, besides fixing tariffs for the zone. The SEZ authority should ensure standby arrangements. The IPPs will also be permitted to establish grid connectivity so as to draw power from the grid as standby arrangement, subject to their entering into a separate agreement with KPTCL or mutually acceptable terms. Industrial units and other establishments in those SEZs for which no IPP has been established will be permitted to generate their own power for captive use.

As per Energy Department Notification, industries setting up Captive Power Generation (CPG) sets have been exempted from payment of electricity duty. This would apply to new industries in SEZs. IPPs in the SEZ and CPG sets set up by individual industrial units within the SEZs will be charged a concessional ST 4% on fuel used for Captive Power Generation.

ST. Duties, local taxes & Levies

Developers of SEZs, and industrial units and other establishments within the SEZs will be exempted from all State and Local taxes and levies, including ST, Purchase Tax, Entry Tax, TOT, Cess etc., in respect of all transaction made between units / establishments within the SEZs and in respect of the supply of goods and services from the Domestic

Tariff Area to units / establishments within the SEZ.

All the industrial unit and their expansion located in the SEZs irrespective of their location within the State, shall be fully exempted from payment of Stamp Duty & Registration Fees.

Further industrial units within the SEZ will be eligible for all other incentives and concessions as per general policies of the Government.

Labour Regulations

The powers of the Labour Commissioner, Government of Karnataka, shall be delegated to the designated Development Commissioner or other authority in respect of the area within the SEZs. Modalities will be devised for the grant of various permission required from the Chief Inspector of Factories & Boilers within the SEZs themselves through the stationing of exclusive personnel for the purpose or through other means so that clearances relating to various labour laws can be provided at a single point in the SEZs. Except in emergent circumstances the prior permission of the Development Commissioner or other designated authority of the SEZs would be required for the conduct of inspections by these agencies of industrial units and other establishments within the SEZs.

All industrial units and other establishments in the SEZs will be declared as 'Public Utility Service' under the provisions of the industrial disputes act.

In pursuance of the deregulation measures already put in place and subject to Legislature approval and Government of India's assent, amendments are proposed to the Industrial Disputes Act. The proposal amendments would include, inter alia, limiting the applicability of Chapter VB to industries employing 300 or more workmen, etc. Similarly, the Contract Labour (Regulation & Abolition) Act is proposed to be amended to include certain peripheral service activities.

SSI & IT Registration

The power to grant Provisional & Permanent SSI Registration and Letter of Intent and Registration of Information Technology Units, will be delegated to the Development Commissioner or other designated authority in respect of units in the SEZs.

SEZs as Industrial Townships

The State Government will take appropriate steps to declare the SEZs as Industrial Township to enable the SEZs to function as self-governing, autonomous municipal bodies.

Law & Order

The State Government shall make appropriate and exclusive arrangements within the SEZs for the maintenance of law and order.

Escort Services

Directorate of Industries & Commerce, Karnataka State Industrial Investment & Development Corporation, Karnataka Ugyog Mitra., Resident Commissioner, Karnataka Bhavan, New Delhi and Resident Director, Karnataka Udyog Mitra, New Delhi shall provide effective escort services to entrepreneurs / promoters who are desirous of making investments in SEZ.

Committee for review & Development of SEZ

The State Government shall constitute a Committee of Secretaries and other concerned officials, including representatives of the SEZ authorities / promoters, under the Chairmanship of the Chief Secretary to resolve various issues pertaining to the promotion, development and functioning of SEZs in the State.

Special Concessions for Export:

The following benefits will be extended to Export Oriented Units (EOU):

I. 100% Export Oriented Units (EOUs)

- A. Investment subsidy as indicated in Para 1 (a) above.
- B. Exemption from power cut.
- C. Exemption from payment of Entry Tax and ST Payable on purchase of raw materials, components, packing materials, consumable, capital goods, spares, material handling equipment, intermediates, semi finished goods and sub assemblies from a registered dealer. While the Entry Tax exemption will be available for the items procured from within the State or Outside, the ST exemption on purchase of various items will be available provided the procurement is from a dealer located within the State.

II. Units other than 100% EOUs with an export effort of a minimum of 25% of the value of total turnover:

- A. Investment subsidy as detailed in Para 1(a) above.
- B. Refund of Entry Tax and ST Payable on purchase of raw materials, components, packing materials, intermediates, semi finished goods and sub assemblies from a registered dealer. While the Entry Tax refund will be available for these items procured from items within the State or outside, the ST refund on purchase of various as detailed above would be available provided the procurement is from dealers located within the State.

III. In case of sub Para II above, the Entry tax and ST on purchases would be payable on raw materials, components, packing materials intermediates, semi finished goods and sub assemblies used for production for sale within the country