CHAPTER - V

REVIEW OF PROBLEMS AND PROSPECTUS OF SEZ

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REVIEW OF PROBLEMS AND PROSPECTUS OF SEZ

V.1 INTRODUCTION:
Special Economic Zones (SEZs) have been touted to be magic pills for nations to kick-start exports, develop infrastructure, and increase employment by adhering to the principles of free markets and minimum distortions caused by effective administration and low or no taxes (Tantri, 2010, p26). Owing to the success of China and other countries, India took up the development SEZs with much enthusiasm, but the outcome has not entirely been as desired. On the one hand, the Ministry of Commerce and Industry reports impressive figures to show how SEZs have “worked”. Let’s take exports. While the astounding figure of Rs 2 lakh crore exports from SEZs till March 2010 is used to highlight the performance of SEZs in general, it is important to examine this figure. Nearly 50% of these exports came from the same handful of functional zones in the state of Gujarat mentioned above. Also, it may be noted that Gujarat’s functional SEZs, including KANDLA, Mundra, Jamnagar, Surat and Dahej, which contribute to the exports, existed or were projects that were planned and under construction before the central and state SEZ Acts were put in place; hence their success can hardly be attributed to the SEZ policy of 2005. Further, a single SEZ (Reliance Jamnagar) contributed Rs 75,000 crore to the all-India figure, and this level of performance cannot be expected of all SEZs.

But on the other hand, there are cases such as that of in eastern region; Nandigram, West Bengal (The Telegraph, 2007) where 14 people died in March, 2007 while protesting against the establishment of a chemicals hub SEZ by an Indonesian developer (Manoj, 2009, p355 and Dohrmann, 2008, p75). In south western region; struggle against Coca-Cola in Plachimnada, Kerala holding Coca-Cola accountable for water shortage and pollution in the area. Coca Cola forced to close the plant in March 2004. Farmers also protest against land at Bangalore.
In Western and Central India Dalit struggle for grazing land in Marathwada region, framers protest against land acquisition in Raigad, Naramada Bachav Andolan etc in Maharashtra.

In north eastern region; the people struggle and protest against Hydal project at Manipur And in Northern region Coca-cola struggle in Varanasi U.P. and farmers of Baranala Punjab also struggle for land accusation. In this context this chapter focuses on the problems of SEZ in India. The study also analyzes the problems of SEZ by taking review of various literature and data analysis of the seven selected zones in India. It helps to decide the prospectus of SEZs in India.

V.2 PROBLEMS OF SEZS:
India’s Special Economic Zones (SEZs) have been shrouded by controversies. The researcher found the following problems that have been facing SEZ in India

1. PROBLEM REGARDING LAND ACQUISITION:
The first and foremost problem before SEZ is regarding the acquisition of land. Private land is being acquired for long in ‘public purpose’ as defined by the Land Acquisition Act (LAA) of 1894. But large-scale acquisitions for SEZs have raised questions on whether the government should intermediate in acquiring land for private developers and whether such acquisition is justified as ‘public purpose’. The questions have extended to a critical query: Is the ‘eminent domain’ of the Indian state discriminating against small and medium landowners? The passion aroused by the debate has been intensified by demands for restoring the right to property as a ‘fundamental’ right – an issue currently being examined by the Supreme Court. The laws suggest fixing compensation for acquired land on the basis of its market price. But India’s opaque land markets prevent the discovery of ‘correct’ prices. Land prices recorded in sale (or purchase) deeds are usually under-quoted to avoid high stamp duties. Compensation also depends upon changes in land value arising from future use.
The biggest challenges faced by SEZ’s in today’s scenario are the taking away of agricultural land from the farmers. The farmers are being paid disproportionate money which is not in lieu of the current land prices. The greatest problem that seems to be emerging out is that arable land is being used for non agricultural purpose which could lead to food crisis and loss of self sustenance in future. At the time of declaration of the Special Economy Zone policy in 2000, it was believed to be an effective way of promoting exports and large-scale industrial development in clusters, and as a vehicle to attract foreign investment. But after 14 year the performance of all these objectives are mixed. Although they account for a quarter of India's exports, only 154 of the 587 SEZs approved were operational as of March 2013. While the government has been granting tax sops to SEZs, the problems plaguing land acquisition have made the going tough for developers. For instance, South Korean steelmaker Posco has been unable to acquire the requisite land for its 4,000-acre, multi-product SEZ near Paradip, Orissa. The company, which has been battling fierce opposition from locals, has reportedly sought an extension of the government's in-principle approval to the SEZ, which expired on October 25. The SEZ is estimated to attract Rs 53,600 crore, mostly in foreign investments. The Union government recently refused to clear the Adani Group's expansion of its SEZ in Mundra, Gujarat, as the area the group sought approval for is not contiguous.

These are just two examples of land acquisition impeding the progress of an SEZ. The appetite for developing special economic zones is clearly on the wane among Indian companies, as evident from their attempts to either go slow on developing their SEZs or asking the government to denotify them.

**UNITS CANCELLED DUE TO LAND ACQUISITION:**

The Maharashtra government on Monday cancelled four major Special Economic Zones (SEZs) proposed by large business houses — Mahindra, Videocon and India Bulls — after having failed to acquire land for the multi-purpose projects. Earlier, stiff opposition to land acquisition by locals in Raigad had forced the scrapping of SEZ by Reliance. The decision
was taken in the board meeting of Maharashtra Industrial Development Corporation (MIDC) on Monday as land acquisition hurdles proved to be the major hindrance in starting the projects. These projects were proposed between 2007 and 2008 and were to be completed as joint ventures with MIDC. "There was stiff opposition to the land acquisition for these projects and they were not working out. They have cancelled. The four projects cancelled by the Board are: Multipurpose project by India Bulls spread across 1,936 hectares in Raigad district, Mahindra project spread across 3,000 hectare in Maval taluka in Pune and two projects by Videocon in Aurangabad and Pune. The project in Aurangabad was also a multi-purpose project spread across 2,763 hectare and the other in Wagholi in Pune over 1,000 hectares. Since the land was not acquired, the companies had not submitted detailed plans for the projects which would estimate the cost of the project, investments and possible jobs. Maharashtra's track record with SEZ is pretty dismal with only 64 of the 103 formally approved SEZs and 16 with in-principle approved SEZ being notified.

2. PROBLEM OF EMPLOYMENT GENERATION:

The data analysis about employment generation revealed that there is problem of employment generation throughout the country. The data analysis regarding employment generation in the chapter III and chapter IV of the study clearly revealed that the size and category of employment generated in the IT-ITES sector in Tamil Nadu, Karnataka, Andhra Pradesh, and Punjab. In Maharashtra and Gujarat, it has been predominantly multi-products and services. The eastern region has been lagging in this respect. It is also found that the scope for the displaced farmers being given jobs by the SEZs themselves is limited because they do not possess the required skills. Also more than two-thirds of the notified SEZs are located in five States — Andhra Pradesh, Tamil Nadu, Maharashtra, Karnataka, and Gujarat — which account for more than 90 per cent of the investment made and 83 per cent of the employment generated. So the employment generated in certain areas certain sector of the country.
3. PROBLEM REGARDING SEZ DEVELOPERS:
The economic downturn and poor export prospects have forced several SEZ developers to put their projects on hold or seek exits. SEZs involve substantive fixed costs in the forms of land acquisition and development of internal infrastructure. Given the high costs, many zones are becoming financially unviable. The situation is also becoming more complicated with developers facing difficulties in raising finance.

4. PROBLEM REGARDING URBAN MANAGEMENT:
A further complication arises from the urban management of SEZs that draws attention to their constitutional identities. Zone authorities are responsible for administering zones including the imposition of user charges for the maintenance of civic facilities. However, does this contradict the writs of municipalities (or panchayats) that are constitutionally-approved local authorities for the lands on which the zones figure?

5. PROBLEM OF REVENUE LOSS:
The tax incentives extended to SEZs may lead to a loss of four to five per cent of the total tax revenues. "The (SEZ) policy is yet to be fully tested, especially with regard to the potential adverse impact on tax revenue and an increased disparity in development across regions. This could lead to some review of policy which will clearly affect developers' plans," With the government's finances not in good shape, the potential for large tax revenue losses arising from the SEZs has been a key concern, "While tax receipts are increasing and fiscal deficit decreasing, many are arguing that India cannot afford the loss of tax revenue from export business growth in SEZs,"

On one hand, Commerce Department's refrain has been that without suitable tax concessions, developers would not invest and those corporate tax concessions apply to export incomes. According to the Finance Ministry estimates, revenue loss from SEZs could be over 25 billion dollars, more than the earlier estimate of 23 billion dollars for the period
2007-10. "Nevertheless, should revenue losses become too great there is a risk that the government could reverse the policy and reduce exemptions"

The aspect of SEZs is thousands of crores of revenue have been forgone due to tax holidays granted to SEZs. Over 580 SEZ approvals, much real estate speculation, half-a-dozen farmers’ protests, and an economic slowdown later, it is time for the Ministry of Commerce to admit that the policy has been a damp squib on the economic front. Developers who were falling over each other to get their SEZ plans approved seem to be looking for greener pastures, as they now line up to get their SEZs denotified or withdrawn. Many others continue to seek extensions to their in-principle approvals, even as they experience problems accessing land or coming up with the requisite finances. The concerns of the finance ministry were corroborated by the Comptroller & Auditor General’s performance audit report tabled in Parliament in 2008. The CAG review brought out systemic as well as compliance weaknesses in relation to SEZs that caused revenue losses to the tune of Rs 246.72 crore. Furthermore, the CAG threw light on the absence of enabling provisions, resulting in Rs 1,724.67 crore of revenue foregone, or irrecoverable.

In January 2010, the Central Board of Excise and Customs (CBEC) recommended an overhaul of the Special Economic Zone (SEZ) Act 2005, saying it had detected gross violations of duty and tax concessions causing it to suffer a revenue loss of Rs 175,000 crore to date. For Example here are some of the figures: Rs 5,066.89 crore has been foregone as duty on import procurement between 2006-07 and 2008-09 in the case of the Reliance Jamnagar SEZ. Between 2007-08 and 2008-09, the SEZ also availed of Rs 7.99 lakh in exemption of stamp duty, Rs 39,760 in fee exemptions. Between 2007-08 and 2008-09, the Dahej SEZ has foregone Rs 14.06 crore as central excise duty on DTAs (Domestic Tariff Areas, or areas outside an SEZ). Between 2006-07 and 2008-09, the SEZ has also foregone customs duty worth Rs 116.10 crore. The Mundra Port and SEZ and Adani Power SEZ combined have led to Rs 937.46 crore foregone as duty exemptions between 2006-07 and 2008-09. The twin SEZs have also together got exemptions worth Rs 10.2 crore in stamp duty and registration fees.
combined, in 2008-09 alone. Between 2005-06 and 2008-09, Rs 805.65 crore was foregone as exemptions on customs duties in the KANDLA SEZ. There are fundamental flaws in relying merely on statistics while ignoring the trajectory, trends and nature of exports and investments, which is precisely what the commerce ministry has done.

Overall revenue loss is shown in the following figure V.1

![Revenue Loss out of 1 trillion](image)

**Figure – V.2.1 – Revenue loss due to SEZ units**

The above figure clearly shows that a tax revenue loss of Rs1.06 trillion from SEZs for 2005-2010. This included Rs57,531 crore as direct tax, Rs29,700 crore as customs duty, Rs10,368 crore as excise duty and Rs8,813 crore as service tax revenue. In a proposed direct tax code, it has also recommended to do away with most tax incentives to SEZ developers and units.

6. **DIVERSION OF EXPORTS FROM DTAS TO SEZS**

Another important dimension pointed out by analysts in several leading business dailies is diversion of exports from DTAs to SEZs. In other words, the rapid increase in exports from SEZs has been accompanied by a drop in exports from non-SEZ areas, indicating a possible shift of units from outside SEZs into SEZs -- a trend that merits serious investigation.
7. **SEZ PARAMETER CHANGED**

The several parameters will be changed to accommodate the farmers, tribals and the civil society groups who have been agitating against the SEZs such as

1. As there is no limit on the maximum size of the multi-product SEZs now the limit has been set at 5,000 hectares.
2. To prohibit from acquiring land for the private players and they cannot form a joint venture with a private player unless the latter has the land to offer the project.
3. States can acquire land for their own SEZ provided they take care of the relief and rehabilitation as per the new policy to be announced soon. Now the SEZs will be required to at least use 50% of the land for processing unit as compared to the earlier 35% so that the real estate component would be lower. Finally, the export requirement has been made more stringent compared to earlier.

**IT IS CRITICIZED THAT**

- The SEZs, the corporate sector and their political supporters and the opponents who wanted SEZs to be scrapped because of their adverse impact on the poor people in the rural areas.
- SEZs are threatening to sprout all over the country from the most backward states like, Orissa and Chattisgarh to the most advanced ones, like, Maharashtra and Gujarat.
- Resistance to these Zones has built up rapidly in the country even though most political parties seem to be supporting their creation since they are ruling in some state where they would like them to come up. In different parts of the country, farmers and tribals who are sought to be displaced by the creation of these zones are opposing them.
- Displacement is a larger issue. Movements around displacement caused by earlier large projects (Narmada Bachao Andolan is an example of that)
already existed and the civil society leaders (like, Medha Patkar) of these movements are providing leadership to the anti SEZ upsurge.

- SEZs will accelerate development and create a large number of jobs. The critics argue that it will also destroy lots of low skill jobs in agriculture and forestry.
- Further, the adverse impact on small scales sector will reduce jobs. So in the net it is not clear that it will lead to more employment.
- It is suggested that there are backward and forward linkages of industry so it will promote development. But does agriculture not have such linkages?

8. REGIONAL DISPARITIES:

a. Two-thirds of the notified SEZs are located in five States — Andhra Pradesh, Tamil Nadu, Maharashtra, Karnataka, and Gujarat — which account for more than 90 per cent of the investment made and 83 per cent of the employment generated. Thus regional disparities continue even after SEZ Policy.

b. Though the SEZs have contributed to the increase in India’s exports, their “success is not so significant.”

c. The problems like Land Acquisition without adequate compensation, Impoverishment of farmers, Loss of agricultural land, Misuse of land for real estate, and Regional disparities etc. are yet to be unsolved.

d. Two-thirds of the notified SEZs are located in five States — Andhra Pradesh, Tamil Nadu, Maharashtra, Karnataka, and Gujarat — which account for more than 90 per cent of the investment made and 83 per cent of the employment generated. Thus regional disparities continue even after SEZ Policy.

e. Though the SEZs have contributed to the increase in India’s exports, their “success is not so significant.”

f. The problems like Land Acquisition without adequate compensation, Impoverishment of farmers, Loss of agricultural land, Misuse of land for real estate, and Regional disparities etc. are yet to be unsolved.
g. It is true that new industry and businesses set up in the SEZs will generate new jobs. However, at first people would be displaced, work on the creation of the new infrastructure would then begin and new industry would take even longer time to come up so new jobs will not immediately come. Further, the new infrastructure and industry is much more capital intensive than agriculture or non farm rural activities it would displace so that fewer jobs would be created.
V.3 THE PROSPECTUS OF THE SEZ:
The SEZ’s are important in today’s context for the third world countries which have been in
the race for rapid economic growth. There are many positives which emerge out of
establishing an SEZ.

1. FUNDS FROM SEZS
The government requires huge amount of funds for the development. So it looks out for
potential partners to help the government carry out the program. Now say for setting up
an SEZ, the government may tie up with a private partner whose willing to invest in that
area, thus a win-win situation for both. As in the government gets the capital needed to
establish the required infrastructure and also the expertise. The private player on the other
hand gets the right to market and use the SEZ’s with relaxed tax laws, thereby increasing its
revenue generating capacity and also carrying out the economic growth of the company in
a more efficient way with the better tax policies. Actually SEZ’s with relaxed import tariffs
help the Import dependent and export driven industries to flourish by helping them
develop manufactured goods at competitive prices. The following figure shows the trends
of foreign exchange during 1986 to 2011 from seven selected zones.

![Figure – V.3.1 - Trend of Foreign Exchange through SEZ during 1986-2011](image-url)
2. OVERALL DEVELOPMENT:

SEZs are known as export zone area where investment is attracted manufacturing and services are created and with the help of these two parameters Employment will be generated. Thus overall development is possible if the SEZ policy implemented efficiently all over the country in all sectors. There are future to this policies in respect to the ---

1. The economic development of any country depends upon their foreign exchange. If export increased the share of earnings as compare to Import will be increase. Thus balance of payment will be positive if the export zones do efficiently through SEZs.

2. SEZ’s create immense employment opportunities. The setting up of SEZ’s creates lot of indirect employment in terms of labour required. Then after the completion it enables employment in the relevant industries operating in the SEZ. Then there are lots of indirect employments generated wherein people start investing around SEZ. For example SEZ’s are townships of their own; thereby there are shopping malls, restaurants, amusement parks setup around to attract people, thus resulting in more economic development in that area.

3. Moreover SEZ’s improve the country’s foreign export. Because of the increased FDI and Private Equity presence, the local manufacturers get to tie up with these big names and export their products which now carry a better brand value, therefore helping in creating a greater demand for the goods of local manufacturers. Moreover the massive capital required for expansion is brought in form of FDI resulting in increased economic activity. The increased exports from the country bring in more revenue for the country which improves the economic growth.

4. SEZ’s help in creating a balanced economic growth in a country if they are properly located and implemented leading to tapping of local talent and contributing to increased economic activity in the area.

5. An SEZ is a geographically delimited area administered by a single body, offering a certain incentive regime to businesses which physically locate within the zone.

6. An Export Processing Zone (EPZ) is a type of SEZ that are instruments to realize micro and macro-economic, and political objectives. Microeconomic issues include
employment generation, while political objectives include implementing regional economic development strategies.

7. The SEZ is “outside” the territory of the host state with respect to trade and investment. The host states can expect inter alia to earn increased export earnings, benefit from increased employment opportunities, improved training and skills, and transfer of modern technology. In return, foreign investors are offered incentives such as tax exemptions, duty free imports, exemptions from import quotas, capital mobility to remit profits, export allowances and subsidized interest rates within the SEZ.

8. A significant incentive offered by the host state involves the legal control of labour relations. Specifically, the right to establish trade unions or take industrial action may be limited within the SEZ.

9. The SEZs help to generate additional economic activity, promote exports of goods and services, create employment opportunities, and develop infrastructure.

10. Effective investment host for the industry in the traditional manufacturing sector.

11. Foreign trade profile consistent with local factor endowments.

12. High rate of growth and rising share in the overall exports

13. Low cost of operation.

14. Ease of entry and lower cost of operation for commodity / volume driven products and ease of operation for niche products.

15. So far most resource efficient scheme for export enhancement.

16. Good and strong linkage with industrial capacity in the command and catchment area.

**OPPORTUNITY TO THE LANDLORDS / FRAMERS**

Clearly, those who will benefit or lose from the SEZs will be different sets of people. Those who will be displaced by the SEZs will be the rural people and those who will come in their place will be the skilled urban people. It is true that those who lose land will get “market prices” (according to the government) for their land and theoretically will be able to invest their money in other businesses. Thus, theoretically, not only in
the SEZs but the new investments by the former agriculturists would create new non-agricultural jobs and all this maybe expected to lead to a reduction in the rate of increase of unemployment which has accelerated in the last 6 years. It is said that agriculture cannot create jobs anymore and these jobs have to be created in non-agricultural sectors.

The SEZs are likely to curtail the rights of labour given that their will be no labour commissioner and the Developer of the SEZ will govern the place along with a Development Commissioner. There will be no democratically elected body. Under Section 49 of the Act, there will be substantial powers to formulate new laws:

The SEZ’s could drastically improve the economic activity in the country, make the country’s export competitive and globally noticeable, be net foreign exchange earner and provide immense employment opportunity. But this should not be done at the cost of bringing down the agricultural activities, Land grabbing and real estate mafia should be properly regulated so that the common man is not the net sufferer to get the net foreign exchange earner up and running. As compared to china where majority of the SEZ’s were setup by the government, similar should be adopted in India, if not fully it should be a public-private partnership and regulatory bodies should be properly managed to weed out fallacies. To be economically viable SEZ’s should be approved over a particular land area (greater than 1000 acres) for rapid economic growth in the area and for it to be profitable and self sustainable. Relaxed Tax norms, Labor laws and DTA regulations will surely attract foreign investment and major industries to setup industries in the SEZ’s making it profitable and meeting its desired results!

The sizzling controversy of whether setting up Special Economic Zones is good for India or would spell disaster is one that is not going to go away too soon. The media often forgets stories a couple of weeks old, but this one will be on the front pages for a long time to come. It is a controversy that is ironically pitting the Finance Ministry against the Commerce Ministry, the ruling coalition with its partners, farmers with their state
governments and activists against what they call, “people unfriendly” projects that can spin out of control by marginalizing a huge section of poor people. In the last few weeks there have been a lot of political posturing, differences of opinion and stance on the SEZ, as it becomes a hot potato.

As Indian growth rates manage to keep its head high above stormy waters, the idea to many seem as one way of boosting the economy, setting up of new infrastructure, helping ancillary units sprout and creating millions of jobs. The idea of setting up Special Economic Zones was mooted in March 2000 as specially demarcated growth centers, to boost exports. It would have special laws protecting it, did not have to pay customs duties on machinery or goods it imported or bought locally. It would be treated as a foreign territory doing business with various partners abroad. It would have liberal laws as far as labor and foreign investment was concerned. Apart from attractive tax and duty exemptions, it would be allowed to distribute its own gas, power and water. It was touted to have its unique style of governance. In short, be economic drivers.

No doubt SEZs were meant to be growth engine of export and creation of employment, inflow of foreign direct investment and development of infrastructure of our country. SEZs are also a vehicle of growth and development for developing countries.

**V.4 – SEZ & FOREIGN TRADE POLICY 2009-14:**

A package of measures has been formulated to revive investors’ interest in SEZs and to boost exports. The salient features of the package are:

1. In view of the acute difficulties in aggregating large tracts of uncultivable land for setting up SEZs, while ensuring vacancy and contiguity, we have decided to reduce the Minimum Land Area Requirement by half.
2. For Multi-product SEZ from 1000 hectares to 500 hectares and for Sector-specific SEZ from existing 100 hectares to 50 hectares.
3. To provide greater flexibility in utilizing land tracts falling between 50-450 hectares, it has been decided to introduce a Graded Scale for Minimum Land Criteria which would permit a SEZ an additional sector for each contiguous 50 hectare parcel of land. This will also bring about more efficient use of the infrastructure facilities created in such an SEZ.

4. Further flexibility to set up additional units in a sector specific SEZ is being provided by introducing Sectoral broad-banding to encompass similar / related areas under the same sector. On the issues relating to Vacancy of Land, while the existing policy allows for parcels of land with pre-existing structures not in commercial use to be considered as vacant land for the purpose of notifying an SEZ, it has now been decided that additions to such pre-existing structures and activities being undertaken after notification would be eligible for duty benefits similar to any other activity in the SEZ.

FOR IT SECTOR:
IT Exports constitute a very significant part of India’s exports and IT SEZs have a major contribution in it. Exports from IT SEZs during financial year 2012-13 have exceeded Rs. 1.40 lakh crore registering a growth of over 70% over the previous year’s exports. We have specifically addressed issues to boost growth of this very important sector and also to give a fillip to employment and growth in Tier-II and Tier-III cities.

1. The present requirement of 10 hectares of minimum land area has been done away with. Now there would be no minimum land requirement for setting up an IT/ITES SEZ. Only the minimum built up area criteria would be required to be met by the SEZ developers.

2. The minimum built up area requirement has also been considerably relaxed with the requirement of one lakh square meters to be applicable for the 7 major cities viz: Mumbai, Delhi (NCR), Chennai, Hyderabad, Bangalore, Pune and Kolkata. For the other Category B cities 50,000 square meters and for remaining cities only 25,000 square meters built up area norm will be applicable.
3. The present SEZ Framework does not include an Exit Policy for the units and feedback was that this was perceived as a great disadvantage. It has now been decided to permit transfer of ownership of SEZ units, including sale.

ZERO DUTY EXPORT PROMOTION CAPITAL GOODS (EPCG) SCHEME

1. Foreign Trade Policy has two variants under this scheme, namely, Zero Duty EPCG for few sectors and 3% Duty EPCG for all sectors. During the last announcement on 5th June, 2012, a new Post Export EPCG Scheme was also announced which was notified on 18 February, 2013 by the CBEC. Based on the request of all stakeholders, Government has decided to harmonize Zero Duty EPCG and 3% EPCG Scheme into one scheme which will be a Zero Duty EPCG Scheme covering all sectors.

2. Following are the salient features of the Zero Duty EPCG Scheme:-
   i) Authorization holders will have export obligation of 6 times the duty saved amount. The export obligation has to be completed in a period of 6 years.
   ii) The period for import under the Scheme would be 18 months.
   iii) Export obligation discharge by export of alternate products as well as accounting of exports of group companies will not be allowed.
   iv) The exporters who have availed benefits under Technology Upgradation Fund Scheme (TUFS) administered by Ministry of Textiles, can also avail the benefit of Zero duty EPCG Scheme.
   v) The import of motor cars, SUVs, all purpose vehicles for hotels, travel agents, or tour transport operators and companies owning/operating golf resorts will not be allowed under the new Zero Duty EPCG Scheme.
   vi) The quantum of specific Export Obligation (EO) in the case of domestic sourcing of capital goods under EPCG authorizations has been reduced by 10%. This would promote domestic manufacturing of capital goods.

Reduced EO for units in the State of Jammu & Kashmir
In order to encourage manufacturing activity in the State of Jammu & Kashmir, it has been decided to reduce the specific export obligation (EO) to 25% of the normal export obligation. Earlier, this benefit was announced on 5th June, 2012 in respect of units located in North Eastern Region and Sikkim. This provision is now being extended to J&K.
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