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GOVERNMENT OF ODISHA

INDUSTRIES DEPARTMENT

RESOLUTION

The 18th June 2015

SUBJECT— Policy for Special Economic Zones - 2015

POLICY FOR SPECIAL ECONOMIC ZONES

1.0. INTRODUCTION :

- 1.1. Government of India (GoI) initially introduced the Special Economic Zone (SEZ) Scheme in the year 2000 through an amendment to the Export-Import Policy, 1997-2002 and later enacted 'The Special Economic Zones Act, 2005' (hereinafter referred to as "Act") and The Special Economic Zone Rules, 2006 (hereinafter referred to as "Rules"). The SEZ Act and Rules provide a conducive legal framework and fiscal regime to attract qualitative domestic and foreign capital investments with a high degree of export orientation.
- 1.2. An SEZ is specifically designated as a duty-free enclave and treated as a foreign territory for the purposes of trade operations and duties and tariffs. Under the Act and Rules, SEZs enjoy attractive fiscal incentives and an effective investment facilitation framework with simplified approval procedures for creating an internationally competitive business environment. SEZs are expected to promote establishment of large self contained economic areas supported by high quality infrastructure, which would make them internationally competitive in terms of cost, quality, technology, productivity and efficiency resulting in greater export earnings and a positive impact on the domestic economy in terms of additional economic activity, employment generation, vendor development, value addition, technology development, etc.
- 1.3. As per the Act and Rules, SEZs can be developed in public, private or joint sectors or by the State Governments themselves.

- 1.4. The SEZs in Odisha will be developed both by public and private sector developers individually or jointly. The Developer will plan, develop, finance, manage, market and maintain the Zones. The State Government will facilitate the SEZ Developers and the units and establishments set up in the SEZs by providing them a conducive policy framework aligned with the Act and Rules.
- 1.5. International trends show that economic activities across countries and continents are integrating globally at a rapid pace. Hence, in the globalising scenario, factors like availability of resources including quality manpower, markets, ease of doing business and infrastructure will determine the nature and magnitude of flow of investments into a region. Private sector investments in creating SEZs and establishing units therein are expected to trigger significant growth impulses in the domestic economy apart from making exports from India globally competitive.
- 1.6. The SEZ approach has played a significant role in the economic growth of several countries like China, Hong Kong, Taiwan and other parts of the World. For a State like Odisha, which is rich in natural and mineral resources and has huge potential for development, the SEZ approach offers a robust strategy to expand its industrial and economic base. SEZs would bring large dividends to Odisha by way of catalysing infrastructural, industrial and general economic activities and result in incremental employment opportunities.
- 1.7. The Government of India has advised State Governments to formulate a Policy or an Act for development of SEZs to provide a policy framework for the comfort of investors. Hence, this SEZ Policy formulated by Government of Odisha which will apply to the SEZs set up within the State.

2.0. OBJECTIVES :

- 2.1. To promote SEZs as internationally competitive growth centres, in accordance with Government of India's SEZ Act and Rules, the SEZs will operate as deemed foreign enclaves for trade operation and duties and tariffs.
- 2.2. To stimulate more efficient use of local resources and further value addition
- 2.3. To attract domestic and overseas/foreign investments in strategic and desired sectors
- 2.4. To fuel the growth of the local economy through increased economic activities and export of goods and services.
- 2.5. To catalyse development of world class infrastructure in selected areas and to create centres of excellence for manufacturing, services and other economic activities.
- 2.6. To increase employment opportunities, improve the skills of local workforce and facilitate transfer of technology and modern management skills to local enterprises.
- 2.7. To provide for need-based incentive package to SEZ Developers, SEZ Units and other such entities.

2.8. To enable investors to engage in approved industrial, commercial and service activities in the SEZs.

2.9. To enable interested parties to develop, operate, maintain and manage Special Economic Zones notified by Government of India.

3.0. CONDUCTIVE BUSINESS ENVIRONMENT :

3.1. The State Government will make all efforts to create a conducive business environment to enable SEZs set up within the State become globally competitive.

3.2. Government of India shall appoint a Development Commissioner (DC) for each SEZ as envisaged under the SEZ Act, 2005. The DC will be the designated Authority representing both the Central Government and the State Government and their Agencies. The D. C. will be responsible for regulation and facilitation activities within the SEZ.

3.3. Govt. shall constitute an Approval Committee for each SEZ under the D. C. to provide single window clearance facility to the SEZ Developer(s), SEZ unit(s) and authorised service provider(s).

4.0. ENVIRONMENT MANAGEMENT :

4.1. The Developer, Co-developers and the units shall adopt global best practices in environment management and obtain requisite clearances, approvals as required from the Competent Authority .

5.0. POWER :

5.1. The State Government would create an enabling environment to facilitate un-interrupted supply of quality power to the SEZ(s) and units therein.

5.2. The SEZ Developer shall be authorized to generate power, if it complies with the technical standards relating to grid connectivity referred in Clause (b) of Section 73 of the Electricity Act, 2003, transmit and distribute power within the SEZ subject to OERC Regulations.

5.3. The SEZ Developer shall have freedom to fix power tariff for the consumers within the SEZ as per the guidelines adopted and approved by OERC in consultation with the State Government.

5.4. The Developer, Co-developer and the units may procure power from any source through open access as per extant rules & regulations.

5.5. The units within the SEZ would be permitted to set up Captive Power Plants (CPPs) to meet their power requirements.

5.6. The CPPs in the SEZ will also be permitted to establish grid connectivity for drawal / evacuation of power subject to their entering into a separate agreement with the State Transmission Utility and by following other relevant provisions of GRID code.

6.0. WATER :

- 6.1. The State Government would facilitate for allocation of water available at nearby source for use in the SEZ on payment of usual charges. In case an alternate water source is to be developed due to shortage of water availability at the source near the SEZ, the developer may be allowed to develop alternate source and develop water transportation projects in consultation with the Department of Water Resources. The developer in partnership with State Government will put in place a feasible and appropriate facility.
- 6.2. Government of Odisha shall facilitate for obtaining necessary approvals required from Statutory Authorities for the project.
- 6.3. Both, the Developer and the unite(s) will be allowed to make his/their independent arrangements for sourcing and transportation of water, subject to water use policy of the State Government.
- 6.4. Both, the developer and the units shall incorporate rain water harvesting mechanism as an integral part of their constructions in both processing and non-processing zones.

7.0. LAND :

- 7.1. The Government land, Odisha Industrial Infrastructure Development Corporation (IDCO) land and private land acquired by the Government or any of its agency (ies) shall be transferred to the SEZ Developer on lease hold basis. The Developer of the SEZ will be competent to transfer the land by way of sub-lease to persons/ entrepreneurs who hold a valid letter of approval issued by the Development Commissioner. The lessor shall have the right of resumption if the land is not used for the purpose it was leased out within a period of five years and there shall be no extension or it cannot be diverted for other purposes by the lessee.
- 7.2. Government Land shall be provided to SEZ Developers at concessional rates as per prevailing IPR rates and IDCO Land shall be leased as per the applicable rates. However, for SEZ proposal within limits of Bhubaneswar Municipal Corporation & Cuttack Municipal Corporation, Government land shall be provided as per the applicable rates notified by Government.
- 7.3. The Government will enable availability of required land for a SEZ through direct purchase by the Developer or lease of Government land or that of any of its agencies or through acquisition under the applicable Act/Rules or a combination of any of these and while doing so, direct purchase and acquisition through consent will be the first re-course.
- 7.4. When private agricultural land is purchased or acquired, the approach shall be to purchase or acquire the least agriculturally productive land.
- 7.5. The use of land for a SEZ will be permitted by ensuring that the project causes minimum displacement and other forms of adverse impact on the human livelihood.
- 7.6. The State Government shall recommend on priority those applications proposing to set up SEZs using barren, waste land and non-forest Government land.

- 7.7. Those proposing to set up SEZ on surplus land owned/possessed by either private or public sector undertakings will also be considered by the State Government on priority for recommendation.
- 7.8. The State shall give preferential treatment to SEZs dedicated to Thrust and Priority Sectors as per extant of Industrial Policy Resolution as well as large employment generating sectors such as ship building, heavy & light engineering goods, etc.

8.0. INFRASTRUCTURE LINKAGES :

The State Government will make best efforts to facilitate provisioning of infrastructure linkages including transport connectivity like road and rail required for the SEZ on priority basis. For the SEZs located in the coastal locations, connectivity through inland waterways may also be provisioned by the State subject to its feasibility. Infrastructure linkages projects by the State shall be provided either on its own or through the Central Government Schemes (like ASIDE, etc.) or on Public-Private Partnership basis or through any other appropriate feasible route.

9.0. STATE TAXES, DUTIES, LOCAL TAXES AND LEVIES :

- 9.1. All sales and transactions for carrying out Authorised Operations by Developers, Co-developers & Units within the Processing Area shall be exempted from taxes, cess, duties, fees, levies under any State Law as specified below:
- (a) Stamp duty and registration fees payable on transfer of land and/or built up space
 - (b) Stamp duty and registration fees on loan agreements, credit deeds and mortgage executed by the Developer, Co-developer, SEZ Unit, industry or establishment.
 - (c) VAT, Entry Tax, Electricity Duty and other cess payable on sales and transactions.
- 9.2. Sales of Inputs and Capital goods (1) to SEZ units located within the Processing Area from DTA shall be subjected zero rate of VAT and Levy of Entry Tax shall be exempted subjected to such conditions and exemptions as will be notified by the Government in the Finance Department.
- 9.3. All concessions and exemptions as stated above and allowed to a Developer or Co-developer or Unit, shall also be available to the contractors including sub-contractors appointed by such Developer or Co-developer or Unit, and all the documents in such cases shall bear the name of the Developer or Co-developer or Unit along with the contractor or sub-contractor and these shall be filed jointly in the name of the Developer or Co-developer and the contractor or sub-contractor, as the case may be.

(1) The terms 'Input' and 'Capital goods' shall have the same meaning as has been assigned in Clause (8) and Clause (25) of Section 2 of the Odisha VAT Act, respectively.

10.0. LABOUR REGULATIONS :

- 10.1. All the Labour Laws of the land exercised both by Central and State Governments and agencies thereunder shall apply to all the activities within the SEZ and Units located therein.
- 10.2. The SEZs and units therein may be declared as Public Utility Service under Section 2(n)(vi) under the Industrial Disputes Act, 1947 (Act 14 of 1947).
- 10.3. Clearances under labour laws shall be sought independently by the Developer, Co-developer and Units within the SEZ as the case may be, from the Directorate of Factories & Boilers and/or from the Directorate of Labour as the case may be.

11.0. MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) AND THEIR REGISTRATION :

The authority to register Micro, Small and Medium Enterprises (MSME) will be delegated to the Development Commissioner or other designated authority in respect of units in the SEZs.

12.0. LAW AND ORDER :

The State Government, on the request of the Developer or otherwise, may consider making appropriate and exclusive arrangements for prevention and control of crime and maintenance of law and order within the SEZ.

13.0. SCREENING OF SEZ APPLICATIONS :

- 13.1. The State Level Single Window Clearance Authority (SLSWCA) constituted under OIFA, 2004 shall be the competent authority to screen and recommend SEZ proposals, provided, projects proposals with investment proposal of more than Rs. 1,000.00 Crores shall be placed before the High Level Clearance Authority (HLCA) for approval before making any recommendation to Government of India.
- 13.2. Industries Department shall be the Nodal Department for all SEZs in the State and IPICOL shall be the Nodal Agency for processing all SEZ application.
- 13.3. IPICOL shall function as the State Level Nodal Agency for receipt, scrutiny and placement of the applications before the SLSWCA/HLCA as the case may be.
- 13.4. For sector-specific SEZ proposals, IPICOL may scrutinise them in consultation with line Departments/Agencies like Odisha Computer Application Center, Director, Biotechnology, APICOL and IDCO.

13.5. The criteria for screening of SEZ proposals shall be guided by :

- (a) Level of preparedness such as identification/availability of land including the nature of land, power, water, anchor tenant(s) and preliminary identification of products in case of multiproduct SEZ.
- (b) Extent of Rehabilitation and Resettlement, diversion of forest land, etc. involved
- (c) Extent of linkages with domestic economy in terms of use of local resources including manpower, value addition, vendor development, technology transfer and such other positive growth impulses.
- (d) Net-worth adequacy of Promoter Company or the consortium and their experience, track record and reputation.
- (e) Environmental concerns, if any
- (f) Thrust and Priority Sectors status as per IPR plus the sectors identified as Thrust Sector in Section 17 of this Policy.
- (g) Export orientation
- (h) Foreign Direct Investment
- (i) Quantification of expected gains from the proposed gains of the SEZ and comparison with the overall concessions being accorded by the State as well as Central Government agencies.
- (j) Possibilities of de-industrialisation of the already established industries or the units being placed at a comparative disadvantage *vis-a-vis* units within SEZ.
- (k) Any other relevant aspect.

14.0. SINGLE WINDOW CLEARANCE AND DEVELOPMENT OF SEZ :

14.1. The State Level Single Window Clearance Authority (SLSWCA) constituted under OIFA, 2004 shall be the competent authority to provide Single Window facilities to the SEZ proposals for approvals and clearances. Industries Department shall be the Nodal Department for all SEZs in the State and IPICOL shall be the Nodal Agency for all SEZ projects.

14.2. Other than concerned officials of State Government in the SLSWCA, for SEZ matters representatives of SEZ authorities/promoters shall be invited as and when necessary and it may also opt any other expert/officer(s) as a member or invitee.

14.3. Review and Monitoring

The implementation of the policy as well as the development of SEZs will be periodically reviewed by SLSWCA. Representatives of SEZ Authorities, Developers/Promoters, will be invited to participate for review of the projects and resolve various issues pertaining to the promotion, development and functioning of SEZs in the State.

15.0. SEZ DEVELOPER :

- 15.1. The SEZ Developer will be an entity as authorised by the Board of Approval, Government of India.
- 15.2. The SEZ Developer shall prepare the SEZ Master Plan in accordance with international best practices in town planning, environment and social management planning and get the same approved from the competent authority(ies).
- 15.3. The SEZ Developer shall be authorised to levy and collect user charges for both common and unit specific utility services provided in the SEZ area by the Developer.
- 15.4. The SEZ Developer of Industries processing prime metal like Steel, Aluminium and Ferro Alloys and having investment proposal of minimum of Rs 1,000 crores should mandatorily set up downstream parks of 200 Ac. each. For metal processing industries such a downstream park should be located adjoining the metal producing plant with arrangement for supply of molten metal. The basic infrastructure of downstream park such as road, power, water supply, drainage and other common utilities shall be provided by the SEZ Developer.

16.0. LAND USE :

- 16.1. The regulation of land use within the SEZ shall be in accordance with the guidelines stipulated under the SEZ Act and Rules, the SEZ Master Plan approved by the competent authority subject to the condition that minimum 50 per cent of the SEZ notified area is utilised as processing area in respect of both sector-specific and multiproduct SEZs.
- 16.2. The non-processing area shall be used appropriately for creating activity related social infrastructure for the SEZ units and their employees. Further, the activities those shall be permissible in the non-processing area shall be in accordance with the specific approval granted by the Board of Approval constituted under Section 8 of the SEZ Act, 2005 subject to the Master Plan approved by the competent authority.
- 16.3. On request of the Developer, the State Government may consider to take appropriate steps to enable the SEZ to function as a self governing industrial township with suitable linkages with the relevant Panchayat(s)/Urban local body(ies) / Development or Town Planning Authority(ies) .

17.0. THRUST SECTORS :

- 17.1. Though Government of Odisha will promote all SEZs in general, investments in SEZs in following sectors would be given preference while recommending the proposals:—
- (a) Information Technology (IT); Information Technology Enabled Services (ITES) and Knowledge base Industries.
 - (b) Biotechnology (BT);
 - (c) Electronics System Designing and related Hardware manufacturing;

- (d) Automobile & Auto-component manufacturing;
- (e) Heavy and Light Engineering goods;
- (f) Leather, Handlooms & Handicrafts including Coir;
- (g) Textiles including garments and apparels;
- (h) Agro & Food Processing Industries including that of Marine Products;
- (i) Ship repairing & ship building;
- (j) Gems and Jewellery;
- (k) Downstream and ancillary industries based on primary metals;
- (l) Petroleum, Chemical and Petrochemical and their downstream Industries;
- (m) Pharmaceuticals; and
- (n) Tourism.

17.2. Preference shall also be given to those SEZs which have well established external Infrastructure Linkages including requisite infrastructure connectivity.

17.3. The State shall not encourage SEZs based on mining and minerals like Iron Ore, Bauxite, Chrome, etc. However, SEZs based on use of intermediate products like Alumina for smelting, primary metals (Steel, Aluminium, etc.) for further processing on the value chain and rare minerals like tin, limonite, nickel, platinum, vanadium, etc. may be considered and recommended.

17.4. The mineral based SEZs already approved shall undertake to develop/promote related downstream industrial complex over a minimum area as prescribed by Government. In the event of non-compliance of the condition, all State concessions shall be withdrawn.

17.5. The State shall not encourage SEZs based on activities like mineral, mining, etc. that causes pollution hazards. OSPCB shall prepare a list of such industries and the same would be notified by the State Government as a negative list.

18.0 GENERAL PROVISIONS :

18.1. This SEZ policy is formulated in accordance with the provisions laid down under Para 9.4 of IPR-2007.

18.2. Operational guidelines, wherever necessary for implementation of the various provisions of this Policy, will be issued by the concerned Administrative Department in consultation with the Industries Department, which will function as the Nodal Department for SEZs.

18.3. The definitions, expressions, terms and conditions and functions of different clearance authorities, unless and otherwise explained in this Policy shall have the same meaning as defined under Odisha Industries (Facilitation) Act, 2004 extant IPR of Government of Odisha, SEZ Act, 2005 and SEZ Rules, 2006 of Government of India as amended from time to time.

- 18.4. The Development Commissioner and Approval Committee are at liberty to adopt the documents and procedures as under the Odisha Industries (Facilitation) Act, 2004 in respect of Combined Application Form, Self Certification, Deemed Approval, etc. They may also evolve and adopt alternative documents and procedures for ease of business.
- 18.5. Industrial units within SEZ & SEZ itself shall be eligible for package of assistance/ incentives/facilities as envisaged in this Policy and shall not be eligible for fiscal incentives under IPR-2007 as stated under Para. 14.1 of IPR-2007.
- 18.6. A special package of incentives over and above what has been enumerated in this Policy document may be considered for new industrial projects on case to case basis taking into account the benefits to the State. The Cabinet on the recommendations of the SLSWCA and the HLCA and concurrence of Finance Department may consider such proposal.
- 18.7. Doubts relating to interpretation of any term and/or dispute relating to the operation of any provision under this Policy shall be referred to the Industries Department, Government of Odisha for clarification/resolution and the decision of Government in this regard shall be final and binding on all concerned.
- 18.8. Benefits proposed under this Policy shall be applicable prospectively from the date the SEZ Policy is notified by the Government to all SEZ both existing and proposed.
- 18.9. This Policy shall remain in force until substituted by another one. The State Government may at any time amend any provision of this Policy.

ORDER— Ordered that the Resolution be published in an extraordinary issue of the *Odisha Gazettee* and copies thereof be forwarded to all Departments of Government/all Heads of Departments and Accountant-General, Odisha.

By order of Governor

SANJEEV CHOPRA

Principal Secretary to Government

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