

No boundaries for SEZ mergers

New Rules Lift 5000-Ha Cap, Ease Selection Of Locations

BORDER BLUR

WHAT THE AMENDED SEZ RULES ENTAIL

- 1 **The cap on SEZs is no more sacrosanct**
- 2 **Developers can set up 2 or more adjacent SEZs and merge them without worrying about the 5,000-ha cap**
- 3 **As individual caps remain, developers have to move judiciously instead of buying large chunks of land in one go**
- 4 **Clarity on the definition of vacant land will help SEZs avoid legal hassles**
- 5 **Developers can now build zones in areas with structures having no ongoing commercial activity**



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THE government has decided against applying an area limit of 5,000 hectares for special economic zones (SEZs) if two or more such zones are merged, clearing the way for big SEZs in the country.

Amending the SEZ rules, the government has also allowed developers more freedom to select a location by defining 'vacant land' where a special zone can be set up as land where there are no functional ports, manufacturing units, industrial activities or structures in which any commercial or economic activity is in progress.

As per the SEZ (second amendment) rules published in the Gazette of India this week, the Centre

may consider on merit the clubbing of contiguous (adjoining) existing notified SEZs even if the total area of the resultant zones exceeds 5,000 hectares.

This is in line with the permission given by the empowered group of ministers (eGoM) on SEZs in the earlier UPA regime to Adani Group's Mundra SEZ in February this year to merge its three SEZs into a single 6,100-hectare entity. "The amended rules make room for more such mergers to happen," said Hitender Mehta, an expert in the Assocham committee on SEZs, welcoming the move.

Developers can now set up two or more zones side by side, respecting the individual caps, and later merge them into a much larger special zone.

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Confusion over 'vacant land'

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THE Indian industry is also relieved that the confusion over the definition of vacant land in the context of SEZs is over.

"The incorporation of definition of vacant land in SEZ rules would help a number of developers as they have been repeatedly asking the government to clarify as to what constitutes a vacant land," said LB Singhal, director-general, Export Promotion Council for EoUs and SEZ units.

There was much debate between the ministries of finance, commerce and law last year over what constitutes vacant land after the finance ministry's contention that the Essar group's steel SEZ in Hazira did not qualify for SEZ benefits as it was built on land that had raised structures.

After many rounds of consultations, the eGoM decided in favour of Essar, stating that as there was no economic activity in the structures when the SEZ was being built, the land would be considered as vacant.

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