

Government of Karnataka's Policy on SEZ
PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

Sub : State Policy for Special Economic Zone

Read:

1. Notification No.79/2000-CUS & No.41/2000-CE Dated 26.5.2000 issued by the Govt. of India in the Department of Revenue Ministry of Finance.
2. GO No.CI 94 SDI 2001 dated 19.4.2001
3. Letter No.F2(2)/5/2001-EPZ dated 18.6.2001
4. Letter No.F-2(1)/4/01-EPZ dated 17.10.2001

Preamble:

Government of India, as a measure to boost exports from the country formulated a new scheme viz. Special Economic Zone and Notifications referred to at Sl. No.(1) above were issued to provide for a duty-free enclave for functioning of units within the Special Economic Zone. In order to utilize the benefits available under the Government of India guidelines for the special Economic Zone and to achieve the twin objectives of attracting investments and augmenting exports from the State, the State Govt., vide order referred to at Sl. No.(2) above had approved establishment of a Special Economic Zone at Hassan. Government of India vide letter indicated at Sl. No.(3) above, has communicated in principle the approval for establishment of a Special Economic Zone at Hassan. State Government has initiated action to prepare a detailed techno-economic feasibility study for the Special Economic Zone and also to identify suitable firms to take-up the development of Special Economic Zone.

Government of India vide letter referred to at Sl. No.(4) above, had suggested that with a view to boost investors confidence in the scheme and to highlight the State Govt.'s stand on issues relating to state levies, generation and distribution of power, environmental clearances, etc., it is desirable to have a State Level Policy for Special Economic Zone.

The matter has been examined in detail and it has been felt that there should be a policy at the State Level governing the establishment and functioning of Special Economic Zone.

Hence the following orders:

GOVERNMENT ORDER No.CI 282 SPI 2001, B'LORE, Dt: 25.02.2002

In the circumstances explained in the Preamble portion of the Order, Government is pleased to formulate a State Policy for Special Economic Zone as indicated in the Annexure to this Government Order. This policy shall come into force with immediate effect and shall govern the development, operation and management of Special Economic Zone and the industrial units to be established therein.

This issues with the concurrence of Finance Department vide UO Note No.FD 2486 Exp-1/2001 dated 10.1.2002, Urban Development Deptt., vide UO note No.UDD 256 UMF 2001 Dated 21.12.2001, Energy Deptt., vide UO Note No. DE 211 EEB 2001 dated 31.12.2001 and DE 201 PTC 2001 dated 8.1.2002, Forest, Ecology & Environment Deptt., vide letter No.EPE 32 ENV 2001 dated 10.1.2002, Rural Development & Panchayat Raj Deptt., vide UO Note No. EDP 30 RPC 2002 dated 4.1.2002, Revenue Department vide UO Note No.ED 562 MUNOMU 2001 dated 12.2.2002 and Labour Deptt. vide UO Note No.LD 65 LEW 2001 dated 1.1.2002.

By order an in the name of the Governor of Karnataka

Sd/-
(T. Premanarasimaiah)
Under Secretary to Govt. (Indl.Devp),
Commerce & Industries Deptt.

To:

1. The Accountant General in Karnataka, Bangalore
2. The Chief Secretary to Govt., Vidhana Soudha, Bangalore
3. All the Addl. Chief Secretary to Govt., Bangalore
4. The Additional Secretary to Govt. of India, Ministry of Commerce, Udyog Bhavan, New Delhi
5. All the Principal Secretary to Govt., Bangalore
6. The Principal Secretary to Chief Minister, Vidhana Soudha, Bangalore
7. PS to Minister for LMT, Vidhana Soudha, Bangalore
8. PS to Minister for SSI, Vidhana Soudha, Bangalore
9. Addl. Secretary to Govt. of India, Ministry of Commerce, New Delhi
10. PS to Minister for Infrastructure Development, Vidhana Soudha, Bangalore
11. The Commissioner for ID & DIC, Race Course Rd., Bangalore
12. The CEO & EM, KIADB, Nrupathunga Road, Bangalore
13. The Managing Director, TMCSOK, UNI Bldgs., Thimmaiah Road, B'lore

14. The Resident Commissioner, Karnataka Bhavan, New Delhi
15. The Managing Director, VITC, Kasturba Road, Bangalore
16. The Director, EDECK, Infrastructure Development Corpn. (Karnataka) Ltd., Cunningham Road, Bangalore
17. Guard File
18. Spare Copies.

ANNEXURE TO G.O No. CI 282 SPI 2001 dated 25.02.2002

**STATE POLICY
FOR
SPECIAL ECONOMIC ZONE**

Preamble:

Government of India has introduced the concept of Special Economic Zone (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. To promote 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 proposals approved in respect of the Hassan SEZ are detailed in G.O.No.CI 94 SPI 2001 dated 19th April 2001 and 20th October, 2001. Government is also proposing to establish an exclusive SEZ for electronic hardware near the proposed International Airport at Devanahalli. 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) into 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 are policy initiatives for the SEZs:-

1. Implementing Agency KIADB (Karnataka Industrial Area Development Board) will be the State Agency for implementation of SEZs either independently or in association with the private sector partners.
2. 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.
3. Environment Clearance: MOC's consents and other clearances required from 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. Environmental clearance for the projects, from State & Central Governments will have to be obtained as per relevant statutes as prescribed in GO No. FEE 14 FNV 2000 dated 13th December, 2001. In the event Government of India delegates the powers to the designated Development Commissioner or other authority within the SEZ, the clearances may be sought accordingly.
4. Water Supply: The SEZ authority shall ensure the provision of adequate water supply within the SEZ.
5. Power: The SEZ authority will ensure continuous and good quality power supply to the SEZ. 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 will 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 on 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. Industrial units in the SEZ will be free to source power from Central Power Generating Stations, from and out of unallocated surplus, for which purpose KPTCL will provide wheeling facility from the grid subject to payment of the prescribed wheeling charges as per the normal policy of KPTCL. As per Energy Deptt. 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 CEG sets set up by individual industrial units within the SEZs will be charged a concessional ST of 4% on fuel used for CPC.
6. 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 transactions 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 unit within the SEZ will be eligible for all other incentives and concessions as per general policies of the Government.
7. Labour Regulations: The powers of the Labour Commissioner, Govt. 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 establishment 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 proposed amendments would include, inter alia, limiting the applicability of Chapter VB to industries employing 300 or more workmen, etc. Similarly, the Contract Labour (Regulations & Abolition) Act is proposed to be amended to include certain peripheral service activities.

8. 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.

9. SEZs as Industrial Townships: The State Govt. will take appropriate steps to declare the SEZs an Industrial Townships to enable the SEZs to function as self-governing, autonomous municipal bodies.

10. Law & Order: The State Government shall make appropriate and exclusive arrangements within the SEZs for the maintenance of law and order.

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

12. 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.

(T. Premanarasimajah)
Under Secretary to Government (Indl. Devp),
Commerce & Industries Deptt