



Regulatory Alert Stay Ahead...

A unit in SEZ allowed to provide law and accountancy services

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Background

In order to generate greater economic activity, employment, promote exports of goods and services and investment from domestic and foreign sources, the Government of India had established several Special Economic Zones ("SEZ") across India. An SEZ unit can avail of a host of incentives and facilities including exemption from certain taxes and duties.

The Special Economic Zones Act, 2005 ("SEZ Act") permits a person, whether resident in India or outside India, to set up a Unit in an SEZ and provide services to entities in and outside India, subject to meeting the conditions specified in the SEZ Act read with the Special Economic Zones Rules, 2006 ("SEZ Rules").

The SEZ Act read with the SEZ Rules provide an exhaustive list of services which may be rendered by a Unit established in an SEZ. The list of services included professional services excluding legal and accounting services. Accordingly, Indian and foreign law and accounting firms were not allowed to operate in an SEZ.

Amendment to SEZ rules

- The Ministry of Commerce and Industry, Government of India has, on 6 January 2017, notified the Special Economic Zones (Amendment) Rules, 2017 ("SEZ Amendment Rules") w.e.f. 3 January 2017, thereby amending the definition of 'services' under the SEZ Rules.
- As per the SEZ Amendment Rules, the exclusion of legal and accounting services have now been removed from the eligible services permitted to be rendered through a unit in SEZ. Accordingly, rendering of professional services (including legal and accounting) by a unit in SEZ, including an International Financial Services Centre (IFSC) set up within an SEZ, will now be permitted as per the applicable procedures of SEZ Act and SEZ Rules.

Conclusion

The amendment will encourage Indian and foreign professionals in the field of legal and accounting sector to set up units in SEZ, including IFSCs set up in SEZ, for providing legal and / or accounting services for exports i.e. providing services out of India; or supplying services from one unit of an SEZ to another unit or Developer in the same or different SEZ. Such professionals will be entitled to all the fiscal benefits that are hitherto available to notified units in SEZ. This measure is expected to attract investments in SEZs and create more employment opportunities

Source: Notification No. G.S.R. 12(E) issued by the Ministry of Commerce and Industry.

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