

Daily Answer Writing

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Structure

- Explain EOUs and SEZ.
- Difference EOUs and SEZ.
- Conclusion.

Context

- Incentives of EOUs
- Both are related to export promotion.

Introduction

With intent to give impetus to forex reserves of the country, Government has been regulating the export-import policy and has introduced various schemes for promoting exports of both goods and services. **Special Economic Zones (SEZ) and Export Oriented Units (EOUs) schemes are also part of this export promotion strategy.**

Export-oriented units: They are units undertaking to export their entire production of goods. The main objectives of the EOU scheme are to increase exports, earn foreign exchange to the country, transfer of latest technologies stimulate direct foreign investment and to generate additional employment.

Special Economic Zone: It is a specifically delineated duty-free enclave and shall be deemed to be foreign territory for trade operations and duties and tariffs. In order words, SEZ is a geographical region that has economic laws different from a country's typical economic laws. Usually, the goal is to increase foreign investments.

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Difference of EOU and SEZ:

Export Oriented Unit	Special Economic Zone
<p>Locations-Can only be set up in the demarcated custom bonded areas notified by the government.</p> <p>Conversion- In SEZ conversion of the existing unit is not allowed.</p> <p>Investment Criteria-No Scheme criterion is prescribed under the SEZ scheme.</p> <p>Trading-Trading unit can be set up under the Scheme.</p> <p>Foreign Investment- Cent per cent FDI investment is permitted through automatic route without approval for SEZ manufacturing unit.</p> <p>Infrastructure-Offers well-developed enclaves of industrial infrastructure with plots, built-up space, power, water supply, transport etc.</p> <p>Income Tax Exemption-Provides for deduction to the extent of 100% of profit and gains for 5 consecutive assessment year and thereafter to the extent of 50% of the profit and gains for a further period of 2 assessment year and for the next 3 consecutive assessment year, so much of the amount not exceeding 50% of the profits as is debited to</p>	<p>EOU Scheme specially offers flexibility in location as a unit can be established in any industrial or commercial areas.</p> <p>Conversion of the existing unit into EOU is permissible.</p> <p>Minimum investment of Rs. 1 crore in plant and machinery is prescribed. However, this condition shall not apply to existing unit and units in agriculture, handicrafts and handmade jewellery etc.</p> <p>It had been discontinued under EOU scheme.</p> <p>Formal FIPB approval as per sectoral guidelines is required.</p> <p>General infrastructure available to EOU unit is not as better as available to SEZ units.</p> <p>Section 10B of Income Tax Act, 1961 allows relief from Income Tax burden for a period of 10 consecutive assessment years.</p>

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the Profit/Loss account of the previous year.	
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Incentives of Export Oriented Units:

- Allowed to procure raw material or capital goods duty-free, either through import or through domestic sources.
- Eligible for reimbursement of GST.
- Eligible for reimbursement of duty paid on fuels procured from domestic oil companies.
- Eligible for claiming the input tax credit on the goods and services and refund thereof.
- Fast track clearance facilities.
- Exemption from industrial licensing for the manufacture of items reserved for SSI sector.
- Export through the third party permitted.
- No restriction on foreign shareholding and 100% convertibility of export earnings at market rate.
- Unrestricted remittance of profit and dividends.

Conclusion:

This bold and time-tested scheme of EOU requires revamping and a fresh lease of life as well as need special attention for growth. It is also possible to attract further investment in this sector if proper conditions are created.

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