



Development of Enterprise and Service Hubs Bill

For Prelims: Special Economic Zone, Equalization Levy, Minimum Alternate tax, Sunset Clause

For Mains: Development of Enterprise and Service Hubs Bill and its Significance

Why in News?

The Government plans to table the **Development of Enterprise and Service Hubs (DESH)** Bill during the upcoming [monsoon session of the Parliament](#).

What is DESH Bill?

- It will overhaul the existing [Special Economic Zone law of 2005](#), aims to revive interest in SEZs and develop more inclusive economic hubs.
- SEZs **will be revamped and renamed as Development hubs** and will be free from a number of the laws that currently restrict them. These hubs will **facilitate both export-oriented and domestic investment**, playing the dual role of domestic tariff area and SEZ.
- The government **may impose an [equalization levy](#) on goods or services** supplied to the domestic market to bring taxes at par with those provided by units outside.

Why replace the existing SEZ Act?

- WTO's dispute settlement panel has ruled that **India's export-related schemes, including the SEZ Scheme, were inconsistent with WTO rules** since they directly linked tax benefits to exports.
- Countries are not allowed to **directly subsidize exports as it can distort market prices**.
- SEZ started declining **after the introduction of [minimum alternate tax](#) and a [sunset clause](#)** to remove tax sops.
 - SEZ units used to **enjoy 100% income tax exemption on export** income for the first five years, 50% for the next five years, and 50% of the ploughed back export profit for another five years.

How is the DESH Legislation Significant?

- **Development Hubs:**
 - Beyond promoting exports it has **a much wider objective of boosting domestic manufacturing and job creation** through 'development hubs'.
 - These hubs **will no longer be required to be net foreign exchange positive cumulatively** in five years (i.e, export more than they import) as mandated in the SEZ regime, and will be allowed to sell in the domestic area more easily.
 - The hubs will, therefore, be **WTO-compliant**.
- **Online Portal for Approvals:**
 - DESH legislation provides for **an online single-window portal for the grant of time-bound approvals** for establishing and operating the hubs.

▪ **Boost Domestic Market:**

- Companies can sell in the **domestic market with duties only to be paid on the imported inputs** and raw materials instead of the final product.
 - In the current SEZ regime, duty is paid on the final product when a product is sold in the domestic market. Besides, there is no mandatory payment requirement in forex, unlike in the case of SEZs.

▪ **Larger role for States:**

- State boards **would be set up to oversee the functioning of the hubs.** They would have the powers to approve imports or procurement of goods and monitor the utilization of goods or services, warehousing, and trading in the development hub.
 - In the SEZ regime, most decisions were made by the commerce department at the Centre. Now, states will be able to participate and even directly send recommendations for development hubs to a central board for approval.

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