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Newsflash dated 29th May, 2009 www.aralaw.com

TOPICS

» Infraustructure Update - Govt clears the way for big SEZs

As per the article published in the Economic Times on May 29, 2009, the government has decided not to apply 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.

In an amendment to the SEZ rules, the government has also allowed developers more freedom on selecting the 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 notwithstanding that the total area of 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 while 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.

No more Confusion over ' vacant land'
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 vacant land," said LB Singhal, director general, Export Promotion Council for EoUs and SEZ Units.

Last year, there was a lot of debate between the ministries of finance, commerce and law over what constitutes vacant land, following the finance ministry' s contention that the Essar Group' s steel SEZ in Hazira did not qualify for SEZ benefits since it was built on land that had raised structures.

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

In brief what the amended SEZ Rules entail is: -

a. No Boarder: the cap on SEZ is no more sacrosanct.
b. Developers can set up two or more adjacent SEZs and merge them without capped 5000 hectares.
c. As individual caps remain, developers have to move judiciously instead of buying large chunks of land in one go.
d. Clarity on the definition of Vacant land will help SEZs to avoid legal hassles.
e. Developers can now build zones in areas with structures having no ongoing commercial activity.

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» Real Estate Update: Maharashtra govt to amend Mumbai Stamp Act

As per the article published in the Economic Times on May 29, 2009, Maharashtra government has decided to provide some relief by amending a law to allow flat buyers to get stamp duty refunded on cancellation of agreement with the builder. The decision to amend Section 48 (pertaining to property sales) of the Mumbai Stamp Act, 1958 was approved at a meeting of the State Cabinet in Mumbai on Wednesday, official sources said. The measure is expected to ensure that flat buyers, who want to cancel the agreement made with their builders, can get their stamp duties refunded.

Accordingly, if a builder has suppressed certain facts about the land or if the construction is illegal or the size of the flat is less than what was promised, the buyer can choose to cancel the purchase agreement.

Earlier, the stamp duty could be refunded only if the builder refused to hand over the flat to the buyer. The government has also decided to amend Section 36 (a) of schedule 1 of the Act for stamp duty on leave and license agreements to bring stamp duty in Mumbai and its suburbs on par with cities like Thane and Pune.

Stamp duty is a tax collected by the state government on different documents executed in the state. As per the Act, there are 63 such documents. Currently, the maximum slab for stamp duty is five per cent for all properties valued over Rs 500,000.

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