

Special Economic Zones (Amendment) Rules, 2025

The Ministry of Commerce and Industry has issued a notification amending the Special Economic Zones Rules, 2006. These amendments, published in the Official Gazette on June 3, 2025, introduce significant changes to facilitate the semiconductor and electronic components manufacturing sector, modify encumbrance conditions, and revise export requirements for overseas entities.

 **by MOONSEZ & Management Consultants
LLP**



Overview of the Amendment



Official Publication

Published in the Extraordinary Gazette of India, Part II, Section 3, Sub-section (i) on June 3, 2025



Effective Date

The amendments come into force on the date of their publication in the Official Gazette



Legal Authority

Exercised under the powers conferred by section 55 of the Special Economic Zones Act, 2005 (28 of 2005)



Issuing Authority

Signed by Vimal Anand, Joint Secretary, Ministry of Commerce and Industry, Department of Commerce

Amendment to Land Requirements for Semiconductor SEZs

Previous Requirement

The original rules mandated larger land areas for establishing Special Economic Zones, creating barriers for specialized manufacturing sectors.

This requirement was particularly challenging for the semiconductor and electronic components industry, which often requires specialized but not necessarily expansive facilities.

New Provision

The amendment introduces a special provision for SEZs exclusively set up for manufacturing semiconductors or electronic components, reducing the contiguous land area requirement to ten hectares or more.

This targeted relaxation aims to promote investment in high-value electronics manufacturing while maintaining appropriate standards for space and infrastructure.

Definition of Electronic Components

Display Components

Display module sub-assembly and related visual interface components for electronic devices

Imaging Systems

Camera module sub-assembly and optical sensing components

Power Systems

Battery sub-assembly and lithium cells for batteries

Computing Hardware

Printed circuit boards, mobile and information technology hardware components

Wearable Technology

Hearables and wearables, including various types of other module sub-assemblies

Relaxation of Encumbrance-Free Area Requirement



Original Requirement

Previously, SEZs were required to maintain encumbrance-free areas without exceptions, limiting flexibility in land arrangements with government entities



New Provision

The Board may now relax the condition of encumbrance-free area in specific cases



Qualifying Conditions

Applicable when the area is mortgaged or leased to the Central Government or State Government, or their authorized agencies



Documentation Requirement

Reasons for such relaxation must be recorded in writing by the Board



Changes to Export Requirements



Manufacturing Services

Units in SEZs producing goods under Toll manufacturing or contract manufacturing services



Finished Goods

Products completed within the SEZ ready for distribution



Expanded Options

New amendment provides multiple pathways for supply of goods to Domestic Tariff area, Bonded warehouse, FTWZ etc



Global Market Access

Enhanced flexibility for international and domestic distribution



Destination Options for Finished Goods Manufactured under contract manufacturing

International Export
Finished goods can be exported
out of the country

Free Trade Zones
Transfer to Free Trade and
Warehousing Zone Units
maintained by Overseas Entities
in the same or different SEZ



**Customs Bonded
Warehouse**
Transfer to warehouses
maintained by Overseas Entities

Domestic Tariff Area
Supply to domestic market with
payment of applicable duties

Flexibility in Processing Requirements



Discretionary Processing

Change from mandatory to optional processing requirements



Operational Flexibility

Units gain greater control over their manufacturing processes

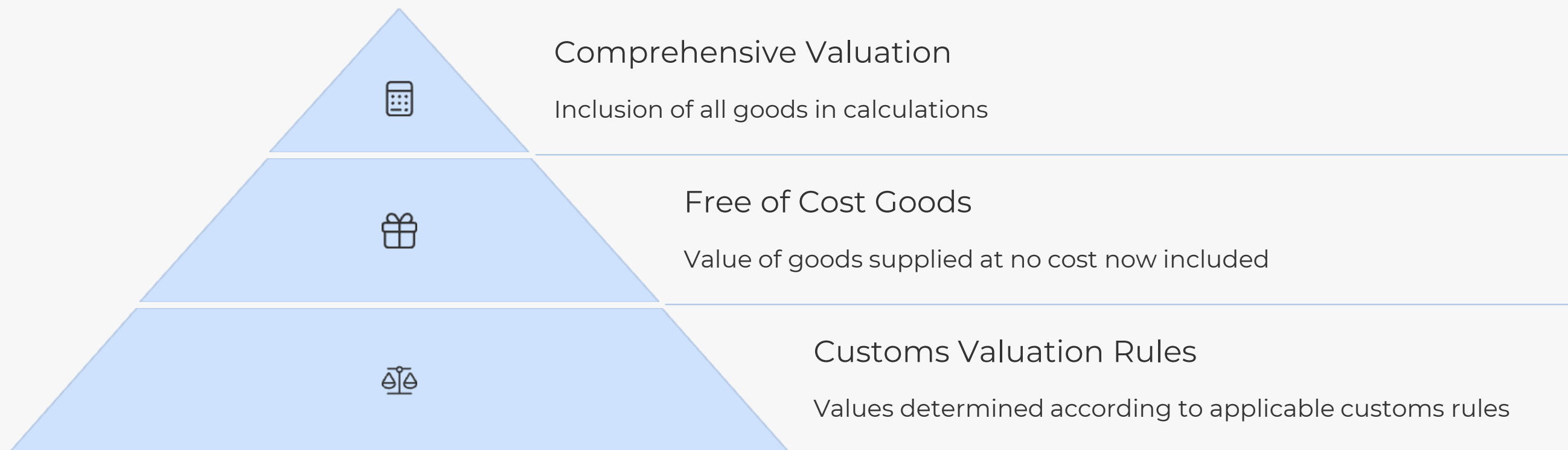


Enhanced Efficiency

Allows for optimization based on business needs and market conditions

The amendment modifies Rule 18, sub-rule (6), clause (a) by replacing the word "shall" with "may" regarding processing requirements. This subtle but significant change transforms a mandatory obligation into a discretionary option, providing SEZ units with greater operational flexibility to adapt their processing activities according to business requirements and market demands.

Net Foreign Exchange Calculations for Semiconductor Sector



The amendment introduces a new paragraph (E) to Rule 53, specifically addressing units providing manufacturing services in the semiconductor sector. This provision ensures that the value of goods received as well as the value of goods supplied on a free-of-cost basis are included in Net Foreign Exchange calculations. The valuation of these goods must be determined in accordance with the applicable customs valuation rules, creating a more comprehensive framework for calculating foreign exchange earnings.

Reduction in Minimum Area Requirement

20

Previous Requirement

Hectares minimum for certain SEZ categories

4

New Requirement

Hectares minimum after amendment

80%

Reduction

Percentage decrease in land requirement

The amendment modifies Annexure II of the principal rules, specifically targeting serial number 3. In column (4) of this annexure, the minimum area requirement has been significantly reduced from 20 hectares to 4 hectares. This 80% reduction represents a substantial relaxation of land requirements, making it considerably easier for investors to establish qualifying Special Economic Zones under this category.



Impact on Semiconductor Manufacturing



Specialized Manufacturing

The semiconductor industry requires highly specialized facilities with clean rooms and precision equipment. The reduced land requirement acknowledges that semiconductor manufacturing values technological sophistication over expansive land area, allowing for more focused, efficient facility design.



Optimized Footprint

Modern semiconductor facilities can achieve high production capacity in relatively compact spaces through vertical integration and advanced process technologies. The amendment recognizes this industry trend by permitting smaller but more technologically intensive manufacturing zones.



Research Integration

The reduced minimum area requirement facilitates closer integration between research, development, and manufacturing operations, which is crucial for the fast-evolving semiconductor industry where innovation cycles are rapid and require seamless collaboration.

Electronic Components Manufacturing Ecosystem



The amendment specifically defines electronic components to include a wide range of critical elements in modern electronics manufacturing. This comprehensive definition encompasses the entire value chain of electronic component production, from basic circuit boards to sophisticated display and camera modules, as well as emerging technologies in wearables and hearables.

Benefits of Reduced Land Requirements



Lower Initial Investment

Reduced land requirements translate directly to lower capital expenditure for setting up new SEZs, making entry more accessible for medium-sized enterprises and specialized manufacturers who may not require extensive land areas.



Location Flexibility

Smaller minimum area requirements allow SEZs to be established in more locations, including urban and semi-urban areas where large contiguous land parcels are scarce but skilled workforce and infrastructure may be more readily available.



Faster Implementation

Acquiring and developing smaller land parcels typically involves shorter timelines, allowing SEZ projects to move from approval to operational status more quickly, accelerating investment returns and economic benefits.



Specialized Facilities

The reduced area requirement acknowledges that high-tech industries like semiconductors and electronics often prioritize specialized infrastructure over expansive space, enabling more focused, efficient facility design.



Comparative Analysis of Land Requirements

| SEZ Type | Previous Requirement | New Requirement | Percentage Reduction |
|-------------------------------------|----------------------|---------------------|-----------------------------|
| Standard SEZ (General) | Varies by sector | Unchanged | 0% |
| Semiconductor/Electronic Components | Standard requirement | 10 hectares minimum | Varies by original category |
| Annexure II, Serial No. 3 | 20 hectares | 4 hectares | 80% |

The amendments create a tiered system of land requirements that recognizes the different spatial needs of various industries. While maintaining appropriate standards for general SEZs, the changes provide targeted relaxations for high-value sectors like semiconductors and electronic components, as well as for the specific category referenced in Annexure II, Serial No. 3.

Global Competitiveness Impact

Semiconductor Manufacturing Hub

The reduced land requirements and specialized provisions for semiconductor manufacturing position India to compete more effectively with established semiconductor hubs in East Asia and North America. By recognizing the unique characteristics of semiconductor production, the amendments create a more attractive environment for global semiconductor companies considering manufacturing locations.

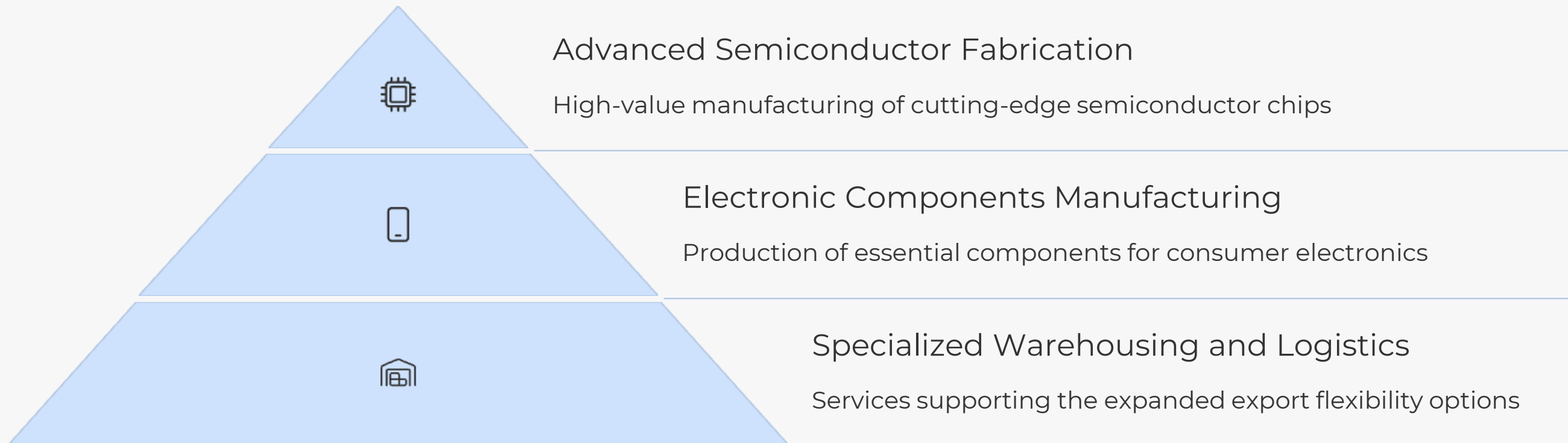
Electronics Ecosystem Development

The comprehensive definition of electronic components covers the entire value chain, encouraging the development of a complete electronics manufacturing ecosystem rather than isolated production facilities. This holistic approach enhances India's ability to compete in the global electronics market by fostering integrated supply chains.

Export Flexibility Advantage

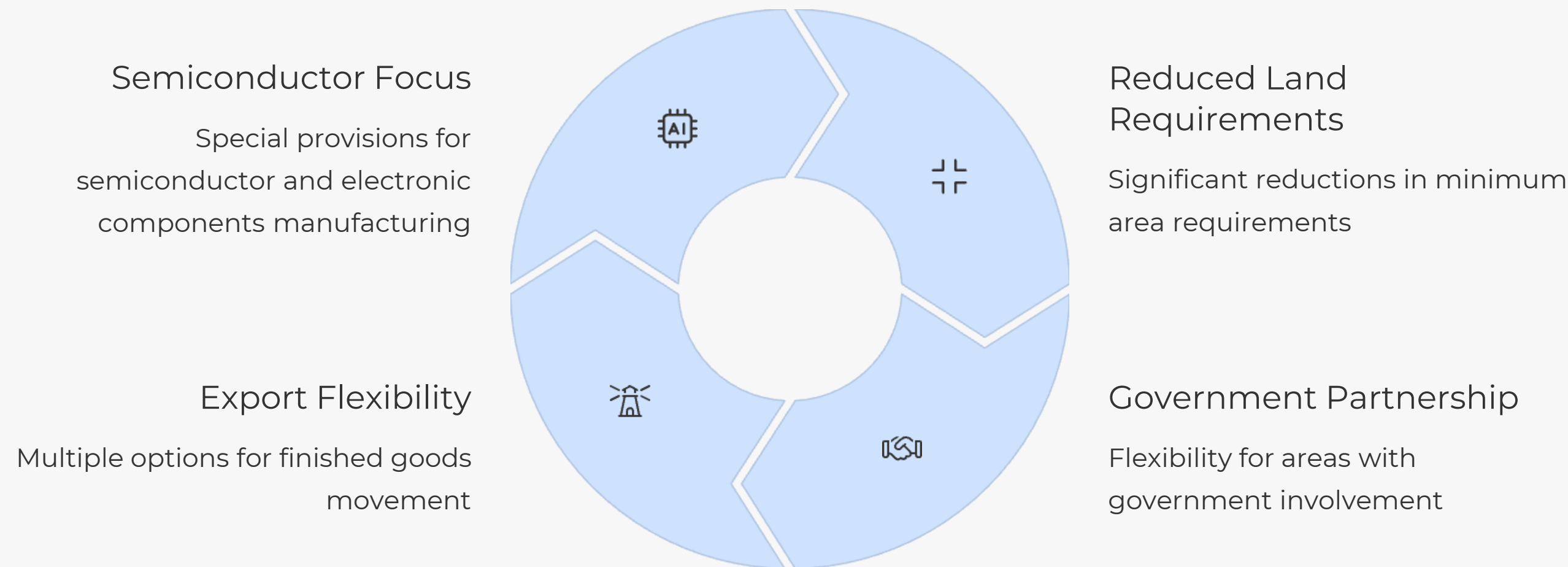
The enhanced flexibility in handling finished goods, including multiple options for export, warehousing, and domestic supply, allows Indian SEZ units to respond more nimbly to global market conditions and customer requirements, potentially gaining competitive advantage through superior supply chain responsiveness.

Investment Opportunities Created



The amendments create significant new investment opportunities across multiple sectors. The reduced land requirements lower barriers to entry for semiconductor and electronics manufacturing, while the expanded definition of electronic components creates clarity for investors in various segments of the electronics value chain. Additionally, the enhanced export flexibility creates opportunities for specialized logistics and warehousing services to support the movement of goods through the various permitted channels.

Conclusion and Key Takeaways



The Special Economic Zones (Amendment) Rules, 2025 represent a significant evolution in India's approach to special economic zones, with targeted measures to promote high-value manufacturing, particularly in the semiconductor and electronics sectors. By reducing land requirements, enhancing operational flexibility, and recognizing the unique characteristics of semiconductor manufacturing, these amendments position India to compete more effectively in the global high-tech manufacturing landscape while making SEZ development more accessible to a wider range of investors.