

Govt Notifies SEZ Reforms to Boost Semiconductor and Electronics Component Manufacturing

Minimum Land Requirement for Semiconductor and Electronics SEZs Reduced to 10 Hectares; Encumbrance Norms Eased

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The government has introduced pioneering reforms in the Special Economic Zones (SEZ) rules to address the specialized needs of semiconductor and electronics component manufacturing sectors. Since manufacturing in these sectors is highly capital intensive, import dependent and involve longer gestation periods before turning profitable, rule amendments have been carried out to promote pioneering investments and boost manufacturing in these high technology sectors.

After amendments in **Rule 5** of SEZ Rules, 2006, an SEZ set up exclusively for the manufacturing of semiconductors or electronic components will require a minimum contiguous land area of only 10 hectares, reduced from the earlier requirement of 50 hectares. Further, amendment to **Rule 7** of SEZ Rules, 2006, allows the Board of Approval for SEZs to relax the condition requiring SEZ land to be encumbrance-free in cases where it is mortgaged or leased to the Central or State Government or their authorized agencies.

The amended **Rule 53** will allow the value of goods received and supplied on a free-of-cost basis to be included in Net Foreign Exchange (NFE) calculations and assessed using applicable customs valuation rules. Moreover, amendments have been made in **Rule 18** of the SEZ Rules to allow SEZ units in semiconductor as well as electronics component manufacturing sector to also supply domestically into the Domestic Tariff area as well after payment of applicable duties.

The amendments will boost high-tech manufacturing in the country, spur growth of semiconductor manufacturing ecosystem and create high skilled jobs in the country.

These amendments have been notified by the Department of Commerce on 3rd June, 2025. Subsequently, the Board of Approval for SEZs has accorded approval to the proposals received from Micron Semiconductor Technology India Pvt Ltd (MSTI) and Hubballi Durable Goods Cluster Private Ltd (Aequs Group) for setting up of SEZs for manufacturing of semiconductors and electronic components respectively.

Micron will establish its SEZ facility in Sanand, Gujarat over an area of 37.64 Ha with an estimated investment of Rs. 13,000 crores, while Aequs will establish its SEZ in Dharwad, Karnataka over an area of 11.55 Ha to manufacture electronics components with an estimated investment of Rs. 100 crores.

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