

GST Alert 04/2023-24

Date 28.09.2023

### Supplies to SEZ units – Legal Changes

All supplies of goods to SEZ units or SEZ developer are treated as zero rated supplies (Deemed Exports) under the GST law. There are 2 ways of making supplies to the SEZ units:

1. We charge IGST in the invoice for such supplies and then claim refund thereof.
2. We don't charge IGST in the invoice so question of seeking refund would not arise. It is considered as Deemed Refund in the eyes of law.

In order to take the 2<sup>nd</sup> route, wherein we would not be charging any IGST in the invoice from the customer, there were certain procedures which we had mandated to be fulfilled so as to keep the transactions as assessment friendly as possible. There has been a major change made in the GST law which will come in effect from 1.10.2023, gist of the procedure mandated earlier and the revised procedure to be followed post 1.10.2023 is discussed below.

#### ▪ From 1.07.2017 to 30.09.2023

For this period we shall follow the procedure advised earlier, same is discussed below

1. We have to take LUT (Letter of Undertaking) from the GST portal, its an online process to be done once every year.
2. Take SEZ Registration copy from the customer.
3. Declaration from the SEZ unit buyer (on its letter head) that the car being purchased, or service being availed is for authorized Operation in SEZ unit.
4. Following line has to be mentioned in Invoice issued for SEZ supply along with LUT ARN number:



*“SUPPLY MEANT FOR SUPPLY TO SEZ UNIT / DEVELOPER FOR AUTHORISED OPERATIONS  
UNDER LETTER OF UNDERTAKING WITHOUT PAYMENT OF INTEGRATED TAX”*

5. Once Invoice is issued – give delivery inside SEZ and ask the customer to get the Invoice and other documents endorsed by the SEZ officers as is done for other regular goods.

**In case, any of the above condition is not fulfilled then we will have to charge IGST + Cess (wherever applicable) in the invoice irrespective of Inter-state or intra-state supply.**

▪ **From 1.10.2023 onwards**

For this period, we shall follow the procedure advised as under:

1. Supplier has to take LUT (Letter of Undertaking) from the GST portal, it's a process to be done once every year.
2. Take SEZ Registration copy from the customer.
3. Declaration from the SEZ unit buyer (on its letter head) that the car being purchased or service being availed is for authorized Operation in SEZ unit.
4. **List of goods and services which are certified for Authorised Operation of the SEZ unit issued by the Development Commissioner of the SEZ (to which the customer belongs). The product that we are supplying to the SEZ unit must be clearly mentioned in this approved list of Goods and Services for authorised operations.**
5. Following declaration has to be mentioned in Invoice issued for SEZ supply alongwith LUT ARN number:

*“SUPPLY MEANT FOR SUPPLY TO SEZ UNIT / DEVELOPER FOR AUTHORISED OPERATIONS  
UNDER LETTER OF UNDERTAKING WITHOUT PAYMENT OF INTEGRATED TAX”*

6. Once Invoice is issued – give delivery inside SEZ and ask the customer to get the Invoice and other documents endorsed by the SEZ officers as is done for other regular goods.



B 1301 - 1305, Ratnaakar Nine Square,  
Opp. ITC Narmada, Nr. Keshavbag Party Plot,  
Satellite, Ahmedabad - 380015. Gujarat, India.

**t** +91-79-400 22 628 / 29 / 30  
**e** info@niteshjain.co.in  
**w** www.njjain.com



njjainassociates  
@associates\_nj  
@njainandassociates

**In case, any of the above condition is not fulfilled then we will have to charge IGST + Cess (wherever applicable) in the invoice irrespective of Inter-state or intra-state supply.**

**Important Note:**

As per section 15 (9) of the SEZ Act read with rule 10 of the SEZ Rules – Development Commissioner (SEZ) is the competent authority to authorize whether the goods or services are required for authorized operations of the SEZ unit. Hence there is a departmental mechanism of giving such approvals. The condition that the supply has to be for “Authorised Operations” of the SEZ has been notified with effect from 1.10.2023 vide notification 27/2023–Central Tax dated 31.07.2023, accordingly, if one wants to take the benefit of zero rated supplies, one will have to take care that the goods or services being supplied to an SEZ unit are meant for its “Authorised Operations” as certified by the Development Commissioner of that SEZ. **If the goods or services being supplied to SEZ are not mentioned in this approved list of goods and service for Authorised Operation, then the same would be taxed as regular supplies and one will have to pay IGST at the applicable rate.**

*Formulated by:*

**N J Jain & Associates**  
**Chartered Accountants**  
**www.njjain.com**

**CA Nitesh Jain**  
Managing Partner

**CA Praveen Maheshwari**  
Partner

**CA Gaurav Khetan**  
Partner

**CA Jay Dalwadi**  
Partner

**Disclaimer**

*This GST Alert is only for the purpose of information and does not constitute or purport to be an advice or opinion in any manner. The information provided is not intended to create advisor-client relationship and is not for advertising or soliciting. N J Jain & Associates do not intend in any manner to solicit work through this Tax Alert. The Tax Alert is only to share information based on recent developments and regulatory changes. N J Jain & Associates is not responsible for any error or mistake or omission in this Tax Alert or for any action taken or not taken based on the contents of this Tax Alert. Business decisions are best taken in close consultation with the advisors.*



B 1301 - 1305, Ratnaakar Nine Square,  
Opp. ITC Narmada, Nr. Keshavbag Party Plot,  
Satellite, Ahmedabad - 380015. Gujarat, India.

**t** +91-79-400 22 628 / 29 / 30  
**e** info@niteshjain.co.in  
**w** www.njjain.com



njjainassociates  
@associates\_nj  
@njjainandassociates