

M/s. Sapthagiri Hospitality Private Limited

Appellate Authority for Advance Ruling — Gujarat

GUJ/GAAAR/APPEAL/2019/2 dated 02.01.2019

Q Questions Before the Authority

- The hotel being located in non-processing zone of Dahez Special Economic Zone whether liable to pay GST on all the services provided by it to the clients located in SEZ which inter-alia included supply of services by way of providing accommodation services, supplying food and beverages and supplying services ancillary to providing accommodation services?
- Under extreme circumstances, if the hotel is required to provide accommodation services to a visitor other than a visitor located in SEZ, whether GST is required to be paid?

F Facts

The appellant operates a hotel in the non-processing zone of the Dahej Special Economic Zone (SEZ). They provide hospitality services, including accommodation, food, and beverages, to both clients within the SEZ and visitors from the Domestic Tariff Area (DTA). The appellant sought a ruling on whether these services are exempt from GST when provided to SEZ clients and whether GST is applicable when provided to DTA visitors.

H Ruling

Services provided to clients located in SEZ	Treated as zero rated supplies	Applicable only for authorized operations under Section 16(1) of the IGST Act
Services provided to visitors from DTA	Liable to pay GST	Treated as inter-state supply under Section 7(5) of the IGST Act

The Appellate Authority confirmed the original ruling, holding that services provided to clients within the SEZ for authorized operations are zero-rated. However, services provided to visitors from the DTA are not zero-rated and are liable to IGST as they do not qualify as supplies to an SEZ unit or developer.

R Reasoning

The authority reasoned that under Section 16(1)(b) of the IGST Act, 2017, only supplies made 'to' an SEZ developer or unit qualify as zero-rated. Since services provided to DTA visitors are not supplied to an SEZ unit, they do not meet the criteria for zero-rating. The authority rejected the appellant's argument that Section 53 of the SEZ Act, 2005 renders the SEZ a territory outside India for all purposes, clarifying that the 'deeming fiction' applies only to authorized operations and does not exempt all services from Indian tax laws.

P Provisions Relied On

Section 16(1) of the IGST Act, 2017

Section 5(1) of the IGST Act, 2017

Section 7(5) of the IGST Act, 2017

Section 12(3) of the IGST Act, 2017

Section 51 of the SEZ Act, 2005

Section 53 of the SEZ Act, 2005

! For the Practitioner

This ruling clarifies that hospitality services provided by an SEZ entity to DTA visitors are **taxable as inter-state supplies** and do not benefit from zero-rating. It reinforces that the SEZ Act's deeming provisions are limited to authorized operations and do not grant a blanket exemption from GST for all activities within an SEZ. Practitioners should note that the **destination of the supply** and the status of the recipient are critical in determining the taxability of services originating from an SEZ.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> [guj gaaar 2019 2 dtd 02.01.19.pdf](#)

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