

M/s Coffee Day Global Limited

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 13 / 2018 dated 26th July, 2018

Dated 26.07.2018

Q Questions Before the Authority

- Whether supply of non-alcoholic beverages to SEZ units using coffee vending machines is in the nature of zero rated supply as defined under Section 16 of the IGST Act 2017 ?

F Facts

The applicant installs beverage vending machines inside SEZ premises to supply non-alcoholic beverages and ingredients for consumption by employees of SEZ units. The billing is executed either on a per-cup basis or based on the quantity of ingredients supplied to the SEZ units. The applicant contended that all supplies to SEZ units are zero-rated under Section 16 of the IGST Act, 2017, irrespective of whether they are used for authorised operations.

H Ruling

Supply of non-alcoholic beverages and ingredients to SEZ units using vending machines

Does not qualify as zero-rated supply

Supply was not certified as an authorised operation by the specified officer of the SEZ

The Authority held that the supply of non-alcoholic beverages or beverage ingredients to SEZ units using coffee vending machines **does not qualify as zero-rated supply** under Section 16 of the IGST Act, 2017. Benefits accrue only when supplies are meant for **authorised operations** certified by the proper officer of the SEZ.

R Reasoning

Section 16(1)(b) of the IGST Act, 2017 must be read in conjunction with Section 4(2) and Section 15(9) of the SEZ Act, 2005, which mandate that SEZ units can only undertake authorised operations. Rule 89 of the CGST Rules, 2017 reinforces this principle by requiring endorsement from the specified officer of the SEZ zone confirming receipt of goods or services for authorised operations. The litmus test for zero-rating is whether the supply is for authorised operations of the SEZ unit. Since the applicant failed to demonstrate that supplying beverages for employee consumption was certified as an authorised operation, the zero-rated benefit cannot be extended.

P Provisions Relied On

Section 16 of IGST Act, 2017

Section 16(1)(b) of IGST Act, 2017

Section 2(19) of IGST Act, 2017

Section 2(c) of SEZ Act, 2005

Section 4(2) of SEZ Act, 2005

Section 15(9) of SEZ Act, 2005

Rule 89 of CGST Rules, 2017



For the Practitioner

This order clarifies that supplies made to SEZ units are **not automatically zero-rated** merely by virtue of physical delivery into an SEZ area. To claim zero-rated status or refund of input tax credit, practitioners must ensure that the supply is certified as an authorised operation by the specified officer of the 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 -> [krntk_13_2018_cdgl.pdf](#)

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