Garuda Power Private Limited

Authority for Advance Ruling — West Bengal

14/WBAAR/2018-19 Dated **01.08.2018**

Q Questions Before the Authority

- Whether or not the supply of goods and on-site services to customers in SEZ area to any SEZ unit or SEZ developer is zero rated supply under section 16 of the Integrated Goods & Services Tax Act, 2017, and whether GST is chargeable for the supply of goods or services to SEZ unit or SEZ developer.

F Facts

The Applicant is a dealer of Cummins India Limited engaged in trading diesel engines and spare parts, along with providing maintenance services on an AMC or on-demand basis. These supplies of goods and services are made exclusively to units and entities located within Special Economic Zones (SEZs). The Applicant sought clarification on whether such supplies to SEZ units or developers qualify as zero-rated supplies and how tax liability applies.

H Ruling

Supply of goods and services to SEZ units or developers	**Liable to tax subject to Section 16 of the IGST Act, 2017**	Zero rated supply under Section 16(1)(b); option to supply without tax under LUT/bond under Section 16(3)(a) or pay tax and claim refund under Section 16(3)(b)

The Authority held that the Applicant is liable to tax when supplying to units and developers of Special Economic Zones **subject to Section 16** of the IGST Act, 2017. Such supplies constitute **zero-rated supplies** under Section 16(1)(b) of the IGST Act, allowing the Applicant to either supply without paying tax under LUT/bond or pay tax and subsequently claim a refund.

R Reasoning

The Authority noted that supplies to SEZ units or developers are inter-state supplies under Section 5(b) of the IGST Act. Section 16(1)(b) of the IGST Act explicitly defines supply of goods or services to a Special Economic Zone unit or developer as a zero-rated supply. Therefore, as per Section 16(3) of the IGST Act, the Applicant has the option to either supply without payment of tax subject to bond/LUT requirements or supply on payment of tax and claim a refund.

P Provisions Relied On

Section 5(b) of the IGST Act, 2017	Section 16 of the IGST Act, 2017
Section 16(1)(b) of the IGST Act, 2017	Section 16(3)(a) of the IGST Act, 2017

Prepared as a reading aid. Where this summary and the original order differ, the order governs.

Section 16(3)(b) of the IGST Act, 2017

Section 97(2)(e) of the CGST Act, 2017

Section 97(2)(e) of the WBGST Act, 2017

! For the Practitioner

This ruling establishes that direct supplies of goods or services to SEZ units and developers are **zero-rated supplies** under Section 16 of the IGST Act. Practitioners can rely on this to confirm that suppliers may utilize the dual mechanism of supplying under LUT/bond without tax payment or paying IGST and claiming a refund. It does not address scenarios involving supplies to non-SEZ entities or failure to comply with LUT conditions.

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 -> order_no._14_of_fy19_dated_01082018_wbaar.pdf

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