Mrs. Poppy Dorothy Noel, M/s THE POMMELS (GSTIN 29ABRPN8421E1ZA)

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 59/2019, dated 20th September 2019 (Au… Dated **20.09.2019**

Q Questions Before the Authority

- Whether the IGST at 0% is applicable for the invoices raised to the SEZ Units, even if the accommodation services were rendered outside the SEZ Zone?

F Facts

The applicant runs an accommodation business in Bengaluru and provides accommodation services to corporates, including SEZ Units. Her premises, The Pommels, are in Kalyannagar, outside the SEZ zone. An SEZ Unit advised her to raise invoices for accommodation of its employees with IGST at 0% under section 16 of the IGST Act, 2017, but she considered that, since the supply took place outside the SEZ, it should bear IGST at 18%.

H Ruling

Whether IGST at 0% applies to invoices raised to SEZ Units for accommodation services rendered outside the SEZ zone	**Inter-State supply under s.7(5)(b) IGST. **Zero-rated** if for authorised operations; otherwise **18% IGST**.**	The order holds that the specific provision in s.7(5)(b) overrides the place-of-supply rule in s.12(3)(c). Zero-rating depends on whether the services are for authorised operations of the SEZ Unit, not on where the premises are located.

The supply of accommodation services to SEZ Units is an inter-State supply under section 7(5)(b) of the IGST Act. It is zero-rated under section 16(1) only if it is for authorised operations of the SEZ Unit. If it is for non-authorised operations, it is not zero-rated and is taxable at **18% IGST** , with the place of supply being where the services are provided.

R Reasoning

The authority treated the SEZ Unit as the recipient under section 2(93) of the CGST Act, since the consideration is payable by the Unit. Under section 7(5)(b) of the IGST Act, a supply to an SEZ Unit is an inter-State supply. The authority held that this specific provision prevails over the general place-of-supply rule in section 12(3)(c), relying on CBIC Circular No. 48/22/2018-GST dated 14.06.2018. It also relied on Development Commissioner Circular No. 2/2014 dated 25.07.2014, which added accommodation services to the services SEZ Units may procure with tax benefits. Services procured for authorised operations are therefore zero-rated under section 16(1), while those for non-authorised operations fall outside zero-rating and attract 18% IGST.

P Provisions Relied On

- Section 7(5)(b), Integrated Goods and Services Tax Act, 2017
- Section 12(3)(c), Integrated Goods and Services Tax Act, 2017
- Section 16(1), Integrated Goods and Services Tax Act, 2017
- Section 2(93), Central Goods and Services Tax Act, 2017 (definition of recipient)
- Section 97, Central Goods and Services Tax Act, 2017 and corresponding KGST Act provision
- Section 98(4), Central Goods and Services Tax Act, 2017 and corresponding KGST Act provision
- Rule 104, CGST Rules, 2017 and KGST Rules, 2017
- CBIC Circular No. 48/22/2018-GST dated 14.06.2018
- Circular No. 2/2014 dated 25.07.2014, Development Commissioner (Kerala and Karnataka SEZs)

! For the Practitioner

This ruling helps accommodation providers in Karnataka who supply SEZ Units and need to decide whether to charge IGST at 0% or 18%. It settles that such supplies are inter-State under section 7(5)(b), and that the premises being outside the SEZ does not by itself deny zero-rating. It does not decide what counts as an authorised operation of an SEZ Unit, which will need to be established on the facts. It is also a Karnataka advance ruling, so it binds only the applicant and is not binding on other authorities.

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 -> kar_aar_59_2019_pdn_20.09.19.pdf

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