

Norms issued for IGST refund for SEZ units

Suppliers of goods to SEZs will have to submit documents to specified officers

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The government has issued guidelines for Integrated Goods and Services Tax (IGST) refund for goods and services supplied to units in special economic zones (SEZ).

The detailed guideline are based on notification/circulars issued by the Finance and Commerce Ministries.

Based on the guidelines, the supplying companies will have to submit documents to specified officers. This will facilitate endorsing receipt of goods and services for authorised operations in SEZs, and finally the refund.

The detailed guidelines have come at a time when the government is working very hard to issue GST refunds, especially to exporters.

The government claims it has managed to refund IGST dues of more than ₹21,000 crore with fewer complaints now. It hopes that with the new mechanism, IGST refunds will be possible in the shortest possible time.

Provision under CGST (Central Goods and Services

(CGST) Rules 2017 prescribes who can file an application for refund after fulfilling certain conditions. These include supplier of goods after such goods have been admitted in full to the SEZ for authorised operations, or supplier of services, along with such evidence regarding receipt of services for authorised operation. For both, endorsement has to be made by the specified officer of the zone.

It must be seen that goods or services related to authorised operations can be received only by the SEZ unit or developer.

The invoice will carry and endorsement: 'Supply to SEZ Unit or SEZ Developer for authorised operation on payment of IGST' or 'Supply of SEZ unit or SEZ Developer for authorised operation under Bond or Letter of Undertaking (LUT) without payment of IGST.'

Commenting on the development, Anita Rastogi, Partner (Indirect Taxes), PwC, said that the detailed guidelines would be the key for the suppliers to obtain refund on their transactions with SEZ developers/units. It is hoped that "the endorsement by the specified officer does not cause delay, or else it will lead to working capital challenges for the suppliers", she said.