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Financial and Compliance Aspects of SEZ Operations with Reference to Domestic Tariff Area Procurement

Zero-Rated Supply Framework, Process Controls and Evidence from Moon SEZ Consultants LLP

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Abstract

Special Economic Zones (SEZs) rely on zero-rated procurement from the Domestic Tariff Area (DTA) to deliver their principal indirect-tax benefit after the introduction of GST and the sunset of direct-tax holidays. This benefit is conditional on accurate, well-documented and correctly classified filings. This paper examines the financial and compliance aspects of DTA procurement through a descriptive, case-based study at Moon SEZ Consultants LLP, Pune, based on two months of participant observation (June to August 2026) covering more than 400 Request IDs on the SEZ Online portal, supplemented by secondary data on national SEZ performance.

The analysis shows that SEZ exports rose from Rs 7.97 lakh crore in 2019–20 to Rs 16.36 lakh crore in 2025–26, an increase of about 105% and a compound annual growth rate of roughly 12.7%, with a single-year decline of 4.7% in 2020–21. About 68.5% of operational SEZs are concentrated in five states. At the transaction level, an eight-step workflow with layered controls (invoice review, HSN and GST reconciliation, LUT validation, Excel-based item upload, document upload and print-trail verification) underpins compliance. A worked case shows that zero-rating avoided Rs 2,78,456.40 of IGST on a Rs 15,46,980 invoice, about 15.3% of the gross value otherwise payable.

The paper recommends automated pre-submission validation, a maker-checker control, a real-time tracking dashboard, structured training and better client communication, and policy support for SEZ development outside the leading states. The study contributes a finance-oriented, transaction-level view that complements the policy-focused SEZ literature.

Keywords: Special Economic Zones; Domestic Tariff Area; zero-rated supply; IGST; Letter of Undertaking; compliance; SEZ Online; export performance



1. Introduction

1.1 Background

Special Economic Zones (SEZs) are geographically demarcated enclaves that operate under a distinct fiscal and regulatory regime from the rest of the national economy. Their purpose is to promote exports, attract domestic and foreign investment, create employment and build infrastructure by offering tax incentives, simplified customs procedures and single-window clearances. Globally, the concept traces to Puerto Rico's Operation Bootstrap in the 1940s and gained prominence after the Shenzhen SEZ was established in China in 1980, which grew from a small fishing village into a major manufacturing hub within two decades. Since then the model has appeared as Free Trade Zones, Export Processing Zones and industrial parks in many economies.

India was among the earliest Asian countries to adopt the idea, opening its first Export Processing Zone (EPZ) at Kandla, Gujarat, in 1965. The EPZ model was constrained by bureaucratic delays, inadequate infrastructure and limited operational autonomy. The SEZ Policy of April 2000 sought to correct these shortcomings, and the Special Economic Zones Act, 2005 (in force from 10 February 2006) gave the scheme statutory backing, a single-window clearance mechanism and long-term fiscal incentives for developers and units.

Table 1: Evolution of the SEZ framework in India

1965	First Export Processing Zone established at Kandla, Gujarat.
Pre-2000	EPZs set up at Mumbai, Chennai, Noida and Cochin; limited success due to delays, weak infrastructure and low autonomy.
April 2000	SEZ Policy introduced under the Export-Import Policy framework.
June 2005	Special Economic Zones Act enacted.
10 Feb 2006	SEZ Act and SEZ Rules, 2006 come into force.
2025	425+ SEZs formally approved; about 270 operational; over 5,500 units in operation.

Source: Compiled from the OJT study report and SEZ Act framework.

1.2 Why DTA procurement matters to finance professionals

From a finance perspective, the SEZ scheme is not only a trade-policy instrument but a **cash-flow and compliance instrument**. Supplies made from the Domestic Tariff Area (DTA) to an SEZ unit are treated as exports. Under Section 16 of the IGST Act, 2017 they are zero-rated, so the SEZ unit does not bear Integrated GST on goods procured for its authorised operations. The benefit is, however, conditional: it is available only if the transaction is documented, classified, declared and recorded on the SEZ Online system in the manner prescribed. An error in an invoice, an HSN classification, a Letter of Undertaking (LUT) reference or a portal entry can convert a zero-rated supply into a disputed one, with consequences for tax liability, working capital, penalties and audit exposure.

The unit of analysis in this paper is therefore the **DTA procurement transaction** and the control environment surrounding it. The study connects three strands that are usually treated separately: (i) the macro-economic performance of SEZs, (ii) the fiscal framework that creates the zero-rating benefit, and (iii) the operational process through which a consulting firm, Moon SEZ Consultants LLP, helps clients capture that benefit accurately.



1.3 Problem statement

SEZ units procuring from the DTA face a high-volume, detail-intensive compliance workflow. The tax benefit is real, but so is the risk of penalty or loss of benefit where documentation is incomplete or inconsistent. Consulting firms specialising in SEZ compliance have built their business around managing this risk, yet the process and its financial implications are rarely documented in a structured, research-oriented manner. This paper addresses that gap by examining how DTA procurement is executed, validated and tracked in practice, and by evaluating the financial logic and control quality of that process.

1.4 Significance of the study

- **Economic growth and export competitiveness:** the study situates DTA procurement within SEZ export performance, which has roughly doubled over the last six years.
- **Investment potential:** understanding how tax benefits are actually realised helps investors, units and policymakers judge SEZ attractiveness.
- **Employment and skills:** SEZs, particularly in IT/ITeS, pharmaceuticals and manufacturing, are significant employers; efficient operations protect this contribution.
- **Policy assessment:** the analysis comes at a time of post-GST adjustment and sunset of direct-tax incentives, when the indirect-tax benefit has become the principal fiscal advantage.
- **Regional balance:** SEZ locations are concentrated in a few states; the study highlights what this means for balanced regional development.
- **Practitioner value:** the process documentation can be used as a training and knowledge-management aid by compliance firms.

2. Review of Literature

Research on SEZs spans employment and human development, economic impact, policy design, land and regional effects, and international comparison. This section reviews the principal strands, drawing on the works listed in the references, and then identifies the gap the present study fills.

2.1 Employment, poverty and human development

Athukorala (1997), as cited in the study, reports that firms in export zones contributed significantly to rising labour-force participation, notably the entry of young women into employment. A similar pattern is noted for Bangladesh, where zones created new job opportunities in the electronics sector (Mondal, 2003). Aggarwal (2007) examined the impact of SEZs on employment, poverty and human development in India, while Pradhan (2012) argued that SEZs can enhance human capabilities, but only if governments strengthen emerging opportunities, protect the interests of SEZ workers and build linkages between SEZs and the domestic economy.

2.2 Policy framework and incentives

Ramananda and Pandian (2012) reviewed the Indian policy framework, the incentives available to developers and units, and recent legal and regulatory developments. They concluded that India has the right mix of factors for SEZ success, including a large skilled workforce, comparative advantage in several industries, a strong policy framework, supporting ancillary industry, a buoyant export sector and a vast local market, but cautioned



that rigid labour laws prevent SEZs from being a panacea. Their study, as the OJT report notes, is limited to policy and framework and does not examine transaction-level compliance. Dhingra and Singh (2009) and Palit (2009) similarly discuss the Indian approach to SEZs and the issues and perspectives surrounding their growth.

2.3 Performance, trade and investment

Shah (2009) reviewed investment, trade, employment generation and impact assessment of Indian SEZs; Devi (2018) examined growth of exports, investment and employment; and Tk and Arul (2016) evaluated SEZ performance after the 2005 Act. Aggarwal (2010) analysed the economic impacts of newly notified SEZs through theoretical approaches, and Aggarwal (2019) argued for a developmental approach linking SEZs to wider economic transformation. Kulkarni and Sanyal (2016) provide a critical review of recent literature on SEZ impact.

2.4 Comparative and land-related perspectives

Joshi and Bhatia (2016) compared SEZs in India and China, while Jensen and Winiarczyk (2014) revisited SEZs twenty years after their global spread, and Zeng (2015) compiled global experiences for the World Bank. Land and regional dimensions are addressed by Rawat, Bhushan and Sujata (2010) in a case study of the Polepally SEZ and by Parwez and Sen (2016) on land acquisition and its impact on rural India.

2.5 Procurement systems and technology adoption

Singh and Punia (2011) studied employees' adoption of e-procurement systems. Although the context differs, the finding that user adoption conditions the success of an electronic procurement platform is relevant to the SEZ Online portal, where staff competence and process discipline determine whether a technology-enabled workflow delivers accurate filings.

Table 2: Summary of selected literature and relevance to the present study

Athukorala (1997); Mondal (2003)	Labour participation and job creation in export zones	Context for the employment objective of SEZs
Aggarwal (2007)	Employment, poverty and human development in India	Social outcomes; does not cover compliance
Pradhan (2012)	Human capabilities and linkages with the domestic economy	Highlights SEZ-DTA linkages
Ramananda & Pandian (2012)	Policy framework, incentives and legal developments	Policy-level; no transaction-level analysis
Joshi & Bhatia (2016)	India–China comparison	Benchmarking of SEZ models
Singh & Punia (2011)	E-procurement adoption	Analogy for SEZ Online portal use
Rawat et al. (2010); Parwez & Sen (2016)	Land and local impact	Regional development concerns

Source: Author's compilation from the references listed.

2.6 Research gap

The literature is rich on macro-impact, employment and policy design, but there is little published analysis of the **transaction-level financial and compliance mechanics** through which SEZ benefits are realised, particularly DTA procurement under Section 16 of the IGST Act. This paper contributes a process-based, finance-oriented examination of that mechanism using practitioner observation at an SEZ consulting firm.



3. Objectives, Research Questions and Propositions

3.1 Objectives

1. To understand the operational framework of Domestic Tariff Area (DTA) procurement within Special Economic Zones.

2. To analyse the financial and compliance procedures involved in SEZ filings, documentation and regulatory submissions.

3. To evaluate the role of classification, exemptions and approvals in ensuring compliance with SEZ regulations.

4. To examine the challenges faced by SEZ units and developers in managing high-volume procurement filings while maintaining regulatory accuracy.

5. To study how documentation, tracking and reporting practices contribute to transparency, accountability and financial control.

3.2 Research questions

- RQ1: How is a DTA procurement transaction executed on the SEZ Online system, and which controls operate at each stage?
- RQ2: What is the financial value of zero-rating to an SEZ unit, and what is at stake if compliance fails?
- RQ3: How has SEZ export performance and geographic distribution evolved, and what does it imply for compliance demand?
- RQ4: Which process improvements would raise accuracy, speed and transparency of DTA procurement filings?

3.3 Working propositions

Given the qualitative, practitioner-based design, the paper frames propositions rather than statistical hypotheses:

- **P1:** Zero-rated DTA procurement creates a material cash-flow advantage for SEZ units that is conditional on documentation accuracy.
- **P2:** Layered, sequential validation (invoice, classification, LUT, portal declaration) reduces the probability of filing rejection and compliance exposure.
- **P3:** Structured tracking and time-stamping improve transparency and allow bottlenecks to be identified early.
- **P4:** Automation and standardisation can reduce manual rework without weakening compliance.

3.4 Scope

The study is confined to the financial and compliance aspects of DTA procurement as handled by Moon SEZ Consultants LLP, Pune. It covers reviewing GST treatment of DTA supplies, invoice and HSN validation, LUT verification, reconciliation, tracker maintenance and portal filing. It also draws on national SEZ data to place the process in its macro context.



4. Regulatory and Fiscal Framework

4.1 Legal architecture

The SEZ Act, 2005 provides the legislative foundation for establishing, operating and maintaining SEZs and ensures policy stability, a principal limitation of the earlier EPZ model. The SEZ Rules, 2006 detail procedures for setting up, operating and exiting zones, including the movement of goods between the SEZ and the DTA. Approvals for developers and units are granted by the Board of Approval (BoA), a 19-member inter-ministerial body chaired by the Secretary, Department of Commerce, which decides by consensus. At the zone level, the Development Commissioner (DC) is the nodal officer who administers the Act and Rules, grants approvals, manages compliance and oversees execution of the Bond-cum-Legal Undertaking (B-17).

Table 3: Institutional framework governing SEZs

Legal basis	SEZ Act, 2005	Statutory backing; policy stability
Operational detail	SEZ Rules, 2006	Procedures for setting up, operating and exiting; SEZ–DTA movement of goods
Approval mechanism	Board of Approval (19 members)	Formal and in-principle approvals; single-window clearance
On-ground management	Development Commissioner	Administration, approvals, compliance and B-17 execution

Source: SEZ Act, 2005 and Rules, 2006 as summarised in the OJT report.

4.2 Direct tax incentives

Historically, SEZ units enjoyed income-tax holidays on export profits and developers on development profits. These incentives are now subject to sunset provisions, which has shifted the centre of gravity of the SEZ value proposition towards indirect-tax relief.

Table 4: Direct tax incentives and current status

10AA	SEZ unit (exporter)	100% exemption on export profits for first 5 years; 50% for next 5; 50% of ploughed-back export profit for subsequent 5	Not available for units commencing production after 1 April 2021
80-IAB	SEZ developer	100% deduction of development profits for any 10 consecutive years out of 15	Being phased out
115JB	Unit / developer	Exemption from Minimum Alternate Tax	Only where income qualifies under 10AA / 80-IAB

Source: Income Tax Act, 1961 provisions as summarised in the OJT report.

4.3 Indirect tax: zero-rating and DTA procurement

Post-GST, the principal benefit to an SEZ unit is the zero-rating of supplies. Goods and services procured or imported for authorised operations are exempt from customs duty, central excise duty and IGST. For domestic procurement, supplies from a DTA supplier to an SEZ unit are zero-rated under Section 16 of the IGST Act, 2017. The DTA supplier may either supply under invoice and claim a refund of the IGST paid, or supply under a Letter of Undertaking (LUT) without charging IGST. The SEZ unit executes a Bond-cum-Legal Undertaking (B-17) with the Development Commissioner and customs authority, which commits it to proper utilisation of



duty-free goods and to Net Foreign Exchange (NFE) obligations.

Table 5: Indirect tax mechanism for SEZ procurement

Import / procurement	Duty-free import and GST exemption	Goods must be for authorised operations
DTA procurement (DTAP)	Zero-rated supply under Section 16, IGST Act; invoice-and-refund or LUT route	Supplier must hold a valid LUT or claim refund; documents must reconcile
Compliance undertaking	Bond-cum-Legal Undertaking (B-17)	Binding commitment on utilisation and NFE

Source: IGST Act, 2017 and SEZ Rules, 2006 as summarised in the OJT report.

4.4 Implication for finance and compliance functions

Because the benefit depends on documentary proof, finance teams must be able to show, on audit, that goods were genuinely received and used for authorised operations, that the supplier's LUT was valid on the date of supply, that HSN classification and tax treatment were correct, and that the portal record matches the invoice. This evidentiary burden is the operating context of the DTAP process analysed in Section 8.

5. Organisational Context: Moon SEZ Consultants LLP

5.1 Profile

Moon SEZ Consultants LLP is the flagship company of the Moon Group, founded in 2006 by CA Ratan Moondra, a Chartered Accountant since 1997. The firm evolved from audit, assurance, taxation and advisory into EPZ/STPI/EOU consultancy and, with the SEZ Act, into SEZ consultancy for developers, co-developers and units. It is headquartered in Pune, with a registered office in Mumbai and service branches in cities including Bangalore, Gandhinagar, Gurgaon, Indore, Mangalore, Nagpur, Noida and Phaltan. It employs an estimated 200 to 250 people and holds ISO 9001:2008 certification. Its clients include SEZ units such as TCS, Hexaware, eClerx, CRISIL and Glenmark, and developer clients such as MIDC, MADC and Hiranandani.



Figure 1: Growth milestones of Moon SEZ Consultants LLP, 2006–2018

Source: Company history as presented in the OJT report.

5.2 Service lines and revenue logic

The firm's services fall into SEZ approval services (for developers, co-developers and units), SEZ management and operational services (DTA sale clearance, Softex, APR, MPR/QPR reporting), SEZ Online services, IT/ITeS state-incentive services in Maharashtra, IFSC services at GIFT City, audit and assurance, indirect tax advisory, land-related services and investment advisory. Financial figures are proprietary; qualitatively, income divides into **compliance fees** (high-volume, recurring, stable cash flow, dominated by DTAP, Softex and APR



work) and **advisory fees** (non-recurring, high-value approvals and IFSC mandates, assessed to carry higher margins).

The asset base is predominantly human capital and intangible assets, including the proprietary SEZ ERP application developed in 2014, ISO-certified processes and brand equity. This makes the model human-capital intensive rather than fixed-capital intensive, and scalable if technology is leveraged. Growth has tracked the SEZ policy cycle, with peak growth of 50–60% year-on-year in 2013 and highest turnover in 2018, and current growth is driven by the post-GST need for specialist zero-rated supply compliance.

5.3 The consulting industry context

The Indian consulting industry is estimated at roughly USD 24 billion (about Rs 2 lakh crore) by 2025 with more than 12,000 firms, concentrated in Delhi NCR, Mumbai, Bengaluru, Chennai and Hyderabad. Demand is driven by tax and regulatory complexity, digital transformation, global capability centres, ESG reporting and expansion by start-ups and MSMEs. Specialist SEZ consultants such as Softech SEZ Consultants, JB SEZ Consultancy, Legist Exim Consultants and JNP Consulting compete in the same niche.

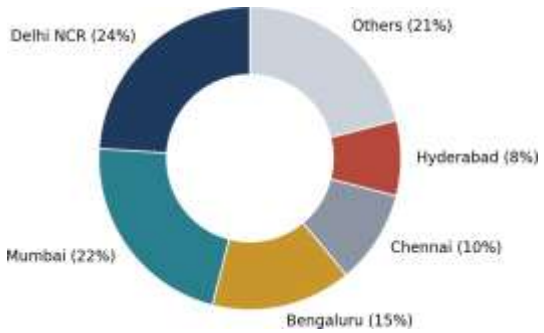


Figure 2: Geographic distribution of consulting firms by hub (%)

Source: Industry estimates reported in the OJT study; 'Others' is the residual.

6. Research Methodology

6.1 Research design

The study adopts a **descriptive, case-based design** combining participant observation with secondary data analysis. The researcher worked in the DTA procurement function at Moon SEZ Consultants LLP, Pune, for two months (1 June to 7 August 2026). The design is suited to process-oriented questions about how a regulated workflow is carried out, which cannot be answered from published statistics alone.

6.2 Data sources

- **Primary (observational):** direct execution and observation of more than 400 Request IDs for SEZ procurement filings on the SEZ Online portal; invoice checking; HSN, GST and LUT verification; and maintenance of Excel trackers; supplemented by discussions with mentors and team members.
- **Secondary:** SEZ export statistics, state-wise SEZ distribution, SEZ Act and Rules, IGST Act provisions, company website and records, books, journals and reports listed in the references.

6.3 Analytical tools



Quantitative secondary data were analysed using year-on-year growth rates and the compound annual growth rate (CAGR), computed as CAGR = (V_end / V_start)^(1/n) − 1. Process data were analysed through step-wise mapping and a control-point matrix. The financial value of zero-rating was assessed through a worked case based on an actual filed invoice, with identifying details anonymised to preserve client confidentiality. Qualitative findings were organised by theme.

6.4 Limitations

- Observation was limited to the accounts and DTA filing function of the Pune branch, so findings may not generalise to all SEZ consultants or zones.
- The study period was two months, and processing-time observations are descriptive rather than statistically timed.
- Firm-level financials are proprietary and are treated qualitatively.
- The case invoice is a single illustrative instance; the broader sample of 400+ requests is described qualitatively, not tabulated, and no client survey was conducted.
- Client confidentiality requires anonymisation of names, LUT numbers and request identifiers.

7. Analysis I: Macro-Economic Performance of SEZs

7.1 Export performance

SEZ exports have grown strongly over the period 2019–20 to 2025–26, rising from Rs 7,96,669 crore to Rs 16,36,192 crore. This represents an overall increase of about **105%**, equivalent to a compound annual growth rate of roughly **12.7%** over six years. The only decline occurred in 2020–21 (−4.7%), coinciding with the COVID-19 disruption, after which exports rebounded by 30.4% in 2021–22 and 27.5% in 2022–23 before settling into steady growth of 7% to 12%.

Table 6: SEZ exports and year-on-year growth

2019–20	7,96,669	–
2020–21	7,59,524	–4.7
2021–22	9,90,747	30.4
2022–23	12,63,578	27.5
2023–24	13,55,220	7.3
2024–25	14,63,669	8.0
2025–26	16,36,192	11.8

Source: SEZ export data as reported in the OJT study; growth rates computed by the author.

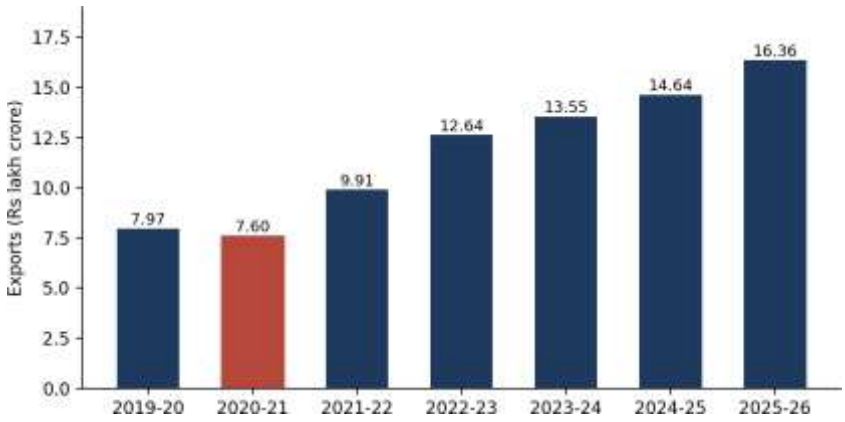


Figure 3: SEZ exports, 2019–20 to 2025–26 (Rs lakh crore)

Source: SEZ export data in the OJT study. The 2020–21 dip is highlighted.

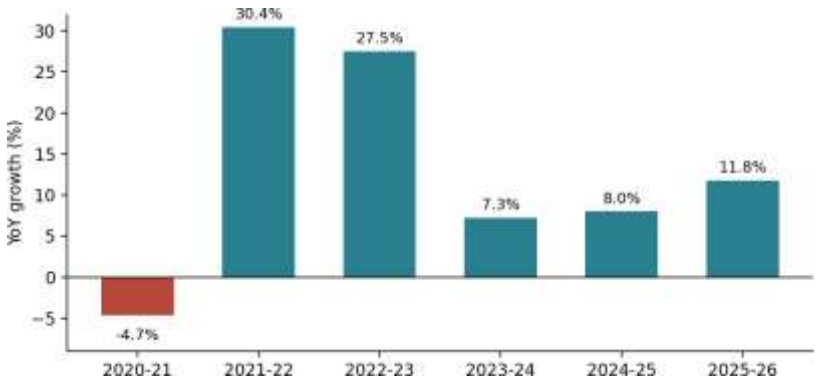


Figure 4: Year-on-year growth in SEZ exports (%)

Source: Author's computation from reported export values.

Interpretation. The pandemic-year dip and rapid rebound indicate resilience of the SEZ export base. For compliance firms, rising export volumes imply a rising number of transactions flowing through SEZ Online, including DTA procurement, which supports the stable, recurring compliance-fee stream described in Section 5. Main destinations reported include the UAE, the US, the UK, Australia and Singapore, and the multi-product sector and Free Trade Warehousing Zones were leading contributors in the period reported.

7.2 State-wise distribution

Table 7: Operational SEZs in the top five states

Tamil Nadu	51	27.6
Telangana	38	20.5
Maharashtra	38	20.5
Karnataka	34	18.4
Andhra Pradesh	24	13.0
Total	**185**	**100.0**

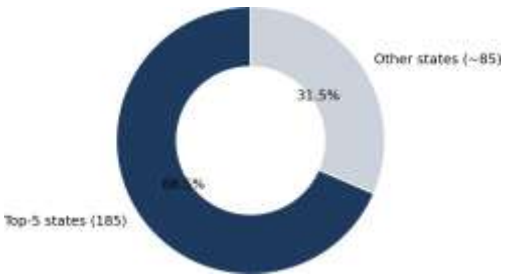
Source: State data from the OJT study; shares computed by the author.



Figure 5: Operational SEZs in the top five states

Source: SEZ distribution data in the OJT study.

Tamil Nadu leads with 51 operational SEZs, followed by Telangana and Maharashtra at 38 each, Karnataka at 34 and Andhra Pradesh at 24. Together these five states account for 185 SEZs, or about **68.5%** of the approximately 270 operational SEZs, consistent with the observation that more than 60% of SEZs are concentrated in the leading states. Southern states dominate, reflecting proactive policy, infrastructure and investor-friendly environments, and sectoral concentration in IT, hardware and telecom equipment.



7.3 Figure 6: Concentration of operational SEZs in the top five states

Source: Author's computation: 185 of approximately 270 operational SEZs.



7.3 Implications

- **Concentration risk:** heavy clustering limits the spread of SEZ benefits; the study supports incentives and simpler approvals for other regions.
- **Demand for compliance expertise:** Maharashtra's 38 operational SEZs make Pune a natural hub for SEZ compliance services.
- **Policy shift:** with direct-tax holidays sunsetting, export growth is increasingly sustained by indirect-tax zero-rating, making procurement compliance more central.
- **Persistent challenges:** infrastructure limitations, complex procedures and the need for effective facilitative policy remain.

8. Analysis II: DTA Procurement Process and Financial Controls

8.1 Process map

The DTA procurement filing follows a sequential workflow on the SEZ Online portal, managed by NSDL Database Management Limited under the Ministry of Commerce and Industry. Each stage adds a control layer before the Request ID is confirmed.



Figure 7: Eight-step DTA procurement workflow on SEZ Online

Source: Author's process mapping from observed workflow.

8.2 Stage-wise description

Step 1: Invoice checking

The supplier's invoice is verified for invoice number and date, buyer and seller names and GSTIN/UIN, product description against actual supply, rate and quantity against billed amount, applicable tax treatment (IGST, CGST, SGST or exemption), LUT/bond number and validity, bank details, and authorisation by signature and stamp. This front-end review is the cheapest point at which to catch errors.

Step 2: Verification through SEZ Online

The authorised user logs in with client-provided credentials and accesses modules for online duty payment, verification of Letter of Approval (LOA) authenticity, GST transactions with the DTA, and status and integration checks for SEZ units.

Step 3: DTA procurement form and Request ID generation

The DTA Procurement Form records SEZ unit details (name, GSTIN, IEC, address), DTA supplier details (address, GSTIN, PAN, state code), the tax declaration that supply is made under Bond/LUT without payment of IGST, the LUT number and validity, and the total taxable value. On submission the system generates a unique



Request ID used to track the transaction through approval or correction.

Steps 4 to 6: Invoice entry, item upload and supporting documents

Invoice number and date are entered; line items are loaded through a pre-formatted Excel template using the 'Upload Items' option, which auto-fills item description, quantity, unit price and value and reduces keying errors; and the scanned invoice is attached under 'Add Documents' with document type, reference number and remarks, creating a verifiable audit trail.

Step 7 and final step: Declaration cross-check and print trail

The zero-rated supply declaration is cross-checked against HSN, description, quantity, taxable value, IGST rate and amount, and IGST-paid status. The system then generates a print trail summarising all invoices entered, which is verified and saved as the official record before confirmation, supporting audit readiness.

8.3 Control-point analysis

Table 8: Control points in invoice validation and filing

HSN classification	Code matches goods; rate consistent	Misclassification	Wrong tax treatment; query or demand
GST reconciliation	Invoice tax matches declaration	Mismatch between invoice and portal	Rejection; delay in credit or benefit
LUT validity	LUT valid on date of supply	Supply outside LUT validity	Supplier liable for IGST; benefit at risk
Party details	GSTIN, IEC, PAN, state code	Wrong party data	Rejected request; rework
Documentation	Invoice uploaded with reference	Missing proof of supply	Weak audit trail; penalty exposure
Tracking	Time-stamped tracker entry	Untracked pending requests	Backlog; delayed filing

Source: Author's analysis based on observed workflow.

8.4 Worked case: financial value of zero-rating

To quantify what the process protects, an actual filed transaction is analysed with party names and identifiers withheld. A DTA supplier invoiced marble slabs (HSN 25151220) to an SEZ unit under LUT, with the supply declared as zero-rated. The invoice was dated 9 September 2025 and the supplier's LUT was valid from 1 April 2025 to 31 March 2026, so the supply fell within the validity period.

Table 9: Case data and derived figures

Goods / HSN	Marble slabs / 25151220
Quantity	2,242 sq ft
Taxable value	Rs 15,46,980
Implied rate per sq ft (derived)	Rs 690
IGST rate	18%
IGST that would apply on a taxable supply	Rs 2,78,456.40
IGST actually paid	Nil (zero-rated under LUT)
Gross value if IGST charged (derived)	Rs 18,25,436.40

Source: Filed transaction (anonymised); derived values computed by the author.

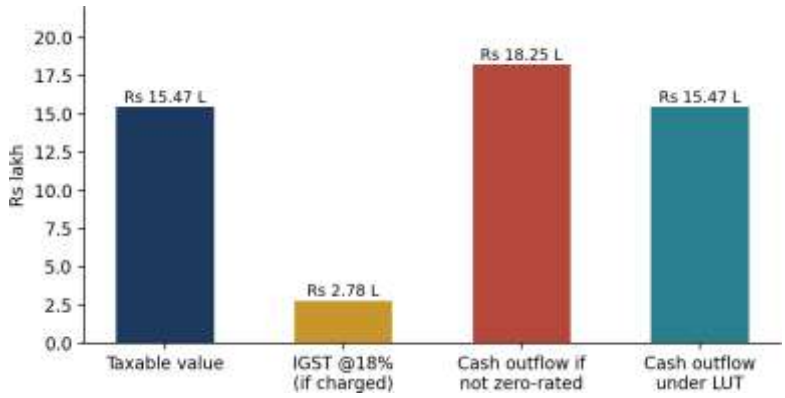


Figure 8: Cash outflow for the SEZ buyer: taxable versus zero-rated supply

Source: Author's computation from case data.

Zero-rating reduces the buyer's cash outlay on this single transaction by Rs 2,78,456.40, about 15.3% of the gross value that would otherwise be payable (278,456.40 ÷ 1,825,436.40). Even if the tax were later refunded, funds would be blocked in the interim. As an **illustrative assumption**, if such funds were financed at 10% per annum for 60 days, the carrying cost would be about Rs 4,577 (278,456.40 × 10% × 60/365). Across the 400+ requests handled, the aggregate cash-flow protection is substantially larger, which explains why clients invest in accurate compliance and why a failure, such as an invalid LUT or an inconsistent declaration, is financially material.

8.5 Risk assessment

Table 10: Qualitative risk matrix for DTA procurement filings

Data-entry error in portal	Medium	Medium	Excel template upload; pre-submission check; second-level review
HSN misclassification	Medium	High	Training on classification updates; cross-verification
Expired / invalid LUT	Low	High	Mandatory LUT date check against invoice date
Missing documents	Medium	Medium	Checklist before Request ID submission
Portal downtime or errors	Medium	Low	Escalation to mentor; retry log in tracker
Backlog due to volume	Medium	Medium	Dashboard monitoring; workload allocation

Source: Author's qualitative assessment based on observation; ratings are judgemental, not statistically derived.

9. Findings and Discussion

9.1 Key findings

6. **Request ID discipline:** every filing begins with document completeness checks; missing or incorrect information causes rejection or delay, so accuracy at the initial stage is decisive.

7. **Layered validation:** HSN verification, GST reconciliation and LUT validation operate sequentially, forming multiple checkpoints that reduce compliance exposure.

8. **Structured tracking:** transactions are recorded in the internal tracker after approval, each step is time-stamped, and discrepancies are flagged and resolved with the SEZ unit, giving management visibility of bottlenecks.

9. **Speed versus accuracy:** simple documentation tasks complete within a few days; complex tasks such as incentive claims and compliance filings take longer, and the workflow deliberately balances speed with compliance.



10. **Standardisation:** adherence to standard procedures reduces dependence on individual discretion and promotes consistency; the observed procedures align closely with official regulatory requirements.

11. **Financial materiality:** zero-rating removed Rs 2.78 lakh of IGST outlay on a single Rs 15.47 lakh invoice, about 15% of gross value, underscoring the stakes of getting filings right.

12. **Macro context:** SEZ exports have roughly doubled (CAGR about 12.7%), with about 68.5% of operational SEZs in five states, sustaining demand for compliance services and highlighting regional imbalance.

9.2 Linking findings to objectives and propositions

Table 11: Mapping of objectives, evidence and propositions

O1: Operational framework	Eight-step workflow; Request ID generation	P2
O2: Financial and compliance procedures	Control-point matrix; worked case	P1, P2
O3: Classification, exemptions, approvals	HSN, LUT and Section 16 treatment	P1, P2
O4: Challenges in high-volume filing	Risk matrix; backlog and rework risks	P4
O5: Documentation, tracking, transparency	Print trail, time-stamping, tracker	P3

Source: Author's synthesis.

All four propositions are supported on the evidence available. P1 is supported by the quantified case; P2 and P3 by the process observations; P4 is supported qualitatively since the Excel upload already shows how standardisation cuts manual keying, and the proposed dashboard extends this logic. Because the design is qualitative, the propositions are supported but not statistically tested.

9.3 Discussion

The results complement the policy-focused literature. Ramananda and Pandian (2012) found that the Indian framework offers a strong mix of incentives but did not examine how these are realised in practice. This study shows that the realisation of the incentive depends on micro-level compliance discipline. It also reinforces the point made by Pradhan (2012) on SEZ–domestic linkages, since DTA procurement is precisely the channel through which SEZ units source from domestic suppliers. Finally, the finding that user competence conditions system effectiveness echoes Singh and Punia (2011) on e-procurement adoption.

10. Suggestions and Recommendations

Drawing on the findings, the following measures are recommended to improve efficiency, compliance and transparency of DTA procurement.

Table 12: Recommendations, rationale and priority

Pre-submission checklist or automated validation	Reduces rejection from missing or wrong data	High	Firm / portal
Regular training on tax rules and HSN	Classification errors have high impact	High	Firm
Double-check or cross-verification step	Adds a maker-checker control	High	Firm
Centralised real-time dashboard	Replaces manual or basic tracking; shows pending items	Medium	Firm



Standardised procedures and workflow automation	Shortens complex filings	Medium	Firm
Client workshops and FAQ repository	Prevents delays from incomplete documents	Medium	Firm / clients
Data-driven review of trends and satisfaction	Targets improvement efforts	Medium	Management
Incentives and simpler approvals outside top states	Reduces regional concentration	Long-term	Government

Source: Author's recommendations.

10.1 Process-level recommendations

Pre-submission validation. A checklist or automated validation tool covering party details, HSN, LUT validity against invoice date, tax declaration and document completeness would cut rework at the cheapest stage. **Maker-checker.** A second reviewer verifying HSN, GST and LUT items introduces segregation of duties, a standard finance control. **Dashboard.** A centralised digital dashboard showing Request ID status, ageing of pending items and exceptions would give management real-time visibility. **Standardisation and automation.** Standard operating procedures and workflow automation, with dedicated staff for complex incentive claims and annual filings, would shorten processing without weakening compliance.

10.2 People and client-interface recommendations

Periodic training on tax and classification updates, workshops with SEZ units, and a maintained FAQ repository would improve communication and reduce delays caused by incomplete documentation. Regular analysis of processing time, sector-wise client mix and satisfaction scores would let management direct improvement effort where it is most needed.

10.3 Policy-level recommendations

Central and state governments should consider financial and non-financial incentives, easier approvals, affordable land, sector-specific SEZs and Free Trade and Warehousing Zones, and updated corporate laws to encourage SEZ development beyond the leading five states, so that economic benefits are distributed more evenly and India's export potential is strengthened.

11. Conclusion, Limitations and Future Research

11.1 Conclusion

This paper examined the financial and compliance aspects of SEZ operations with reference to DTA procurement, combining national SEZ data with transaction-level observation at an SEZ consulting firm. At the macro level, SEZ exports have roughly doubled between 2019–20 and 2025–26, a CAGR of about 12.7%, while operational SEZs are concentrated, with about 68.5% in five states. At the micro level, the zero-rating of DTA supplies under Section 16 of the IGST Act delivers a significant cash-flow benefit, illustrated by Rs 2.78 lakh of IGST avoided on a single Rs
15.47 lakh invoice, but only where invoices, classification, LUT validity and portal declarations are accurate and well documented.

The observed Moon SEZ workflow, with its sequential validation, standard templates, print-trail confirmation and time-stamped tracking, aligns with regulatory requirements and provides strong audit readiness. Further gains are available through automated pre-submission validation, a maker-checker control, a real-time dashboard, structured training and closer client communication. In summary, the value of SEZ incentives is



realised not in policy design alone but in the discipline of everyday compliance.

11.2 Limitations

The study is based on a two-month observation in a single branch and functional area, treats firm financials qualitatively, uses one anonymised case for quantification, and employs a descriptive rather than inferential design. Findings should therefore be read as indicative.

11.3 Scope for future research

- A multi-branch or multi-firm comparison of DTA procurement accuracy and turnaround.
- A timed process study to measure cycle time, rejection rates and rework cost per Request ID.
- Quantification of aggregate cash-flow and working-capital benefits across a client portfolio.
- A structured client survey measuring perceived accuracy, turnaround and satisfaction.
- An empirical test of the effect of automation or checklists on error rates.
- Assessment of regional SEZ policy options to reduce concentration.

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Appendix A: Glossary of Key Terms

Table 13: Glossary

SEZ	Special Economic Zone: a designated area governed by a special fiscal and regulatory regime.
DTA	Domestic Tariff Area: the part of India outside SEZs.
DTAP	DTA procurement: supply from a DTA supplier to an SEZ unit.
LUT	Letter of Undertaking: allows supply without payment of IGST.
B-17	Bond-cum-Legal Undertaking executed by an SEZ unit or developer.
BoA	Board of Approval for SEZ proposals.
DC	Development Commissioner: zone-level nodal officer.
HSN	Harmonised System of Nomenclature used for classifying goods.
IGST	Integrated Goods and Services Tax.
NFE	Net Foreign Exchange earnings obligation.
EPZ	Export Processing Zone, the predecessor model.
IFSC	International Financial Services Centre.