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GST Compliance in SEZs: Benefits and Challenges in DTA Procurement

A Descriptive Study Based on Secondary Data

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Abstract

Special Economic Zones (SEZs) are intended to support exports, investment and employment through a dedicated regulatory framework. Under India's Goods and Services Tax (GST) regime, supplies of goods or services to an SEZ unit or developer for authorised operations are treated as zero-rated supplies, subject to the applicable legal conditions. While this framework is designed to reduce the tax burden on eligible transactions, its practical benefits depend on correct classification, accurate documentation, timely approvals and effective refund procedures. This paper examines the GST framework relevant to SEZ operations, with particular attention to authorised operations and procurement from the Domestic Tariff Area (DTA). It uses a descriptive approach, combining review of statutory and government sources with practical observations from an MBA On-the-Job Training(OJT). Official SEZ export data are used to describe performance trends; the analysis does not treat export growth as proof that GST alone caused the change. The discussion identifies documentation quality, invoice verification, tracking of requests, clarity over authorised operations and coordination among stakeholders as important operational considerations. The paper recommends standardised pre-submission checklists, centralised tracking, periodic compliance training and clearer communication between SEZ units, suppliers and authorities. Because the practical observations arose from a short OJT placement and confidential operational data were not available for independent testing, the findings should be read as exploratory rather than nationally representative.

Keywords: Goods and Services Tax; Special Economic Zones; SEZ; Domestic Tariff Area; DTA procurement; authorised operations; zero-rated supply; compliance.

1. Introduction

Special Economic Zones are designated areas intended to promote economic activity, exports, investment and employment through a specialised policy and administrative framework. India's SEZ policy was announced in April 2000, while the SEZ Act, 2005 and SEZ Rules, 2006 established the principal statutory framework for their development and operation (Department of Commerce, 2024) [2, 6].

The introduction of GST in July 2017 changed the indirect-tax environment for businesses across India, including SEZ units, developers and suppliers. Section 16 of the Integrated Goods and Services Tax Act, 2017 (IGST Act) defines specified supplies, including supplies to SEZ units or developers for authorised operations, as zero-rated [1]. This treatment is intended to preserve tax neutrality for qualifying transactions. However, zero-rating does not remove the need to meet documentary, procedural and statutory requirements.

DTA procurement is important because SEZ units and developers may need to obtain goods from suppliers located in the Domestic Tariff Area. In practice, the transaction can involve invoice details, descriptions and classifications of goods, evidence that the procurement is for authorised operations, portal-based requests and supporting records. Missing or inconsistent information can lead to queries, rework or delays. The quality of compliance processes is therefore relevant not only to tax treatment but also to operational efficiency and financial control.

The author's direct work included account-related tasks such as sales reconciliation, payment-advice uploading, invoice renaming and tracker updating, alongside learning and observation relating to SEZ compliance and DTA procurement. The paper distinguishes these practical observations from broader legal and sector-level claims drawn from published sources.



2. Research Problem and Objectives

The central research problem is the gap that can arise between the intended tax benefits of zero-rated supplies and the administrative work needed to claim and document those benefits correctly. The paper asks: how does the GST framework support eligible SEZ transactions, and what documentation and process challenges can affect DTA procurement and compliance?

- To explain the GST provisions relevant to supplies to SEZ units and developers for authorised operations.
- To describe the role of documentation and tracking in DTA procurement and related compliance.
- To review official SEZ export trends as sector context without assuming a causal relationship with GST.
- To identify practical process improvements that may support accuracy, transparency and timely processing.

3. Review of Literature and Policy Context

3.1 SEZ policy and export orientation

The Department of Commerce describes the SEZ framework as a policy instrument intended to generate economic activity, promote exports, attract investment, create employment and develop infrastructure. Its annual report records that India's SEZ exports reached ₹13,55,220 crore in FY 2023–24 (Department of Commerce, 2024) [2, 6]. The official SEZ portal subsequently reports exports of ₹14,56,871 crore for FY 2024–25 (SEZ India, n.d.). These figures demonstrate the scale of SEZ activity, but export trends are influenced by several factors, including global demand, sector composition, exchange rates, investment and pandemic-related disruptions.

3.2 GST and zero-rated supplies

Section 16 of the IGST Act treats exports and supplies to an SEZ unit or developer for authorised operations as zero-rated supplies. The statutory wording matters: the supply must meet the applicable requirements, and a transaction should not be assumed to qualify merely because the recipient is located in an SEZ. The Central Board of Indirect Taxes and Customs (CBIC) and the SEZ India portal provide official explanations of the treatment and related facilities (CBIC, n.d.; SEZ India, n.d.) [1, 6].

The GST Council's discussion of the authorised-operations condition also reflects the policy importance of distinguishing qualifying SEZ procurement from other transactions. This creates a practical need for accurate supporting documents and a clear link between the goods or services procured and the authorised activity. [3]

3.3 Existing research and the research gap

Rastogi and Agarwal (2018) discuss the concept of zero-rated GST in the Indian SEZ context and consider its intended role in investment and export promotion [4]. Official policy sources explain the legal framework and report aggregate export performance. However, legal descriptions and macro-level statistics do not, by themselves, show how routine document handling, invoice checking and tracking affect individual procurement workflows.

The present paper addresses this narrower operational angle by bringing statutory provisions and official sector data together with observations from a professional SEZ consultancy setting. It does not claim to provide a representative survey of all SEZ units or a causal evaluation of GST's effect on exports. Its contribution is an applied, process-focused discussion that can inform a larger empirical study.

4. Research Methodology

4.1 Research design

The study adopts a descriptive and exploratory design. It combines qualitative observations from the author's OJT with secondary data from statutory and official government sources. No experimental design or econometric method is used.

4.2 Data sources

Primary practical insights are limited to the author's own work experience and observations during the OJT. The author directly handled account-related tasks including sales reconciliation, payment-advice uploading, invoice renaming and tracker updating, and received exposure to the wider compliance and DTA procurement environment. No claim is made that the author independently processed every stage of the DTA approval or refund lifecycle.

Secondary information was drawn from the IGST Act as published by CBIC, the Department of Commerce's annual report, the official SEZ India portal, GST Council material and a published academic paper on zero-rated GST and SEZs. The export series is used for descriptive comparison only.

4.3 Analysis method

The analysis uses document review, descriptive trend comparison and thematic interpretation. Themes include zero-rating, authorised operations, invoice accuracy, supporting documentation, digital tracking, refund procedures and coordination. The paper does not use a survey sample, interviews with a defined respondent group or confidential client-level records; accordingly, it does not report invented sample sizes, response percentages or processing-time improvements.

4.4 Ethical and confidentiality considerations

No client names, invoice details or confidential business records are reproduced. The organisation is mentioned only to explain the setting in which the OJT observations were made. Any future publication should be reviewed against the university's research requirements and the organisation's confidentiality policies.

5. Legal And Operational Framework

5.1 Zero-rated supply and authorised operations

Section 16 of the IGST Act includes supplies of goods or services to an SEZ unit or developer for authorised operations within the definition of zero-rated supply. The applicable refund route and conditions must be checked against the law and rules in force at the time of the transaction. As provisions and procedures can change, practitioners should consult the latest official legislation, notifications and portal guidance rather than relying only on older summaries. [1]



5.2 DTA procurement and documentation

A typical DTA procurement workflow may involve identifying the requirement, confirming whether it relates to authorised operations, obtaining supplier documentation, checking invoice particulars, preparing the relevant request and supporting records, submitting through the applicable system, monitoring status and retaining evidence for audit or follow-up. The precise steps and approvals depend on the transaction and applicable procedures; the sequence is presented here as a general process overview, not as a substitute for an organisation's approved SOP.

Process point	Key check	Potential issue if missed
Authorised-operation linkage	Confirm purpose and relevant approval/support	Unclear eligibility or follow-up queries
Invoice review	Check supplier details, description, quantity, tax and classification fields as applicable	Mismatch, correction or rework
Supporting documents	Ensure required documents are complete and consistent	Submission delay or incomplete request
Digital submission and tracking	Record reference numbers, dates, status and outstanding actions	Missed follow-up or weak audit trail
Reconciliation and record retention	Match records and retain final supporting evidence	Difficulties during review or audit

Table 1. Illustrative control points in DTA procurement. Source: author's synthesis of the legal framework

6. Descriptive Analysis of SEZ Exports

Official SEZ export figures provide context for the importance of the sector. Table 2 reproduces selected annual values published by the SEZ India portal [5]. Figures are in ₹ crore.

Financial year	SEZ exports (₹ crore)	Year-on-year growth
2016–17	5,23,637	12.05%
2017–18	5,81,033	11%
2018–19	7,01,179	21%
2019–20	7,96,669	13.62%
2020–21	7,59,524	−4.66%
2021–22	9,90,747	30%
2022–23	12,63,578	28%
2023–24	13,55,220	7%
2024–25	14,56,871	7.37%

Table 2. SEZ export performance, FY 2016–17 to FY 2024–25. Source: SEZ India, Export Performances page.

The series shows an overall increase in reported exports across the period, with a decline in FY 2020–21 and a recovery in subsequent years. The increase spans both pre- and post-GST years, and the pandemic period interrupts the trend. Therefore, the table cannot isolate the effect of GST. A causal claim would require a stronger design, a defined comparison group and controls for other influences.

The sector data are relevant to the present topic because export-oriented activity depends on supply chains, access to inputs and reliable compliance. Nevertheless, export performance should be treated as background context rather than direct evidence that a particular invoice-checking or DTA procurement practice increased exports.

7. Findings and Discussion

7.1 Benefits intended by the GST framework

First, zero-rating is intended to reduce the embedded indirect-tax burden on eligible supplies for authorised operations. Second, the GST framework provides a common statutory structure for qualifying transactions. Third, digital records and formal documentation can improve traceability when information is complete and consistent. These are benefits built into the policy and process design; their realisation in an individual case depends on compliance with the applicable conditions.

7.2 Documentation quality is a practical control

The OJT experience highlighted the routine importance of accurate records, reconciliation and tracker maintenance. These tasks may appear administrative, but they support reliable follow-up and make it easier to identify missing information or inconsistent records. In DTA-related processes, invoice review and supporting-document checks are especially important because the tax treatment is linked to the nature and purpose of the supply.

7.3 Digital tracking helps only when records are maintained

A digital portal or tracker can improve visibility over request status, pending actions and document history. However, digitalisation alone does not guarantee efficiency. Incomplete data, inconsistent naming, delayed updates or unclear responsibility can still create bottlenecks. A useful control system therefore combines digital tools with standard naming conventions, defined ownership and periodic review.

7.4 Procedural complexity remains relevant

SEZ units and suppliers must pay attention to both the SEZ framework and GST requirements. The authorised-operations condition requires care in classifying the transaction and retaining supporting evidence. Refund-related requirements may also affect cash flow when a claim is delayed or documentation needs correction. This paper does not quantify the frequency or average duration of these issues because independently verifiable case-level data were not available.

7.5 Interpreting the evidence carefully

The official export series indicates sector growth over the selected period [2, 5], while the statutory sources establish the intended tax treatment. The OJT observations add a practical view of documentation and tracking. These three forms of evidence are complementary but not interchangeable: sector-level exports cannot prove the efficiency of a single consultancy workflow, and a short internship cannot establish national trends. The strongest



conclusion is that the policy benefit and the quality of operational execution need to be considered together.

8. Recommendations

- **Use a pre-submission checklist.** A checklist should cover the transaction purpose, authorised-operation linkage, invoice particulars and required supporting documents.
- **Standardise invoice and file naming.** Consistent naming conventions make documents easier to retrieve, reconcile and review.
- **Maintain a centralised tracker.** Record the request/reference number, submission date, current status, pending documents, owner and next follow-up date.
- **Introduce a second-level review for exceptions.** Invoices or requests with mismatches, unclear descriptions or missing support should be flagged for review before submission.
- **Provide periodic GST and SEZ training.** Staff should be updated on relevant changes to legislation, notifications, portal procedures and internal SOPs.
- **Clarify responsibility and escalation.** SEZ units, suppliers and consultants should know who is responsible for each document and how unresolved queries are escalated.
- **Measure performance using verified data.** Organisations can track error rates, number of resubmissions, request ageing and turnaround time, provided the definitions are consistent and the data are validated.

9. Limitations and Scope for Further Research

The study is based on a short OJT placement at one consultancy in Pune. The author's direct tasks were primarily account-related, with additional learning and observation of SEZ compliance processes. Access to confidential client-level procurement, refund and approval data was not available for independent analysis. The research is descriptive, does not use a structured survey or statistically representative sample, and cannot establish that GST caused the observed changes in SEZ exports. Official statistics may also be revised.

Future research could collect anonymised transaction-level data from multiple SEZ units or consultancies; compare processing time and resubmission rates before and after a standardised checklist; survey SEZ units and DTA suppliers about common compliance obstacles; or compare the cost and time associated with different procurement workflows. Such work should specify the sample, period, variable definitions and data-validation process before making quantitative claims.

10. Conclusion

GST's zero-rated supply framework is an important part of the tax treatment of eligible supplies to SEZ units and developers for authorised operations [1]. It is intended to support tax neutrality and the competitiveness of export-oriented activity. However, the practical value of the framework depends on meeting legal conditions and maintaining reliable documentation throughout procurement and compliance processes.

The OJT showed the practical relevance of careful record handling, reconciliation and tracker maintenance. When applied to DTA procurement, these controls can support transparency, traceability and timely follow-up, although their impact should be measured using verified operational data. The official export series confirms the scale and growth of SEZ exports over the period reviewed [2, 5], but does not establish GST as the sole cause of that performance. Overall, the study concludes that policy design and day-to-day compliance quality should be viewed together. Standardised checklists, consistent records, central tracking and regular training are practical steps that merit testing in a broader empirical study.

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