



SEZ AND A NEW TAX IN THE NAME OF THE TAX ONE NATION (GST)

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Abstract :-A special Economic zone was the brain child of the Government led by a noted economist Dr. Manmohan Singh, the then prime minister of India. Special means special, where a all round development of that particular area. To attract a number of economic activates, investors were give so many concessions and reliefs in order to develop the economy of that area. As a result, a number of SEZ units were set up across the country and they were enjoying tax – exemptions under the then existing system eg- services tax, central sales tax, VAT and other taxed under the federal structure. Now these units are facing the challenges with the introduction of a new tax know as GST (a revolutionary change in the indirect tax system – Indirect taxes are those taxed where the impact and incidence of the tax is on different person/organization/enterprises etc.) GST Tax structure has been designed on the lives because more than 150 countries have already adopted this system. GST is an indirect tax which subsume all indirect taxes in its orbit – i.e. taxes of the State Government, Central Government and local bodies. It was expected that this tax would give a to the economy so far as the net collection of revenue concerned and also bring transparency and accountability in the tax system. But is we look to the revenue collection of GST. The Centre is not in a position to meet its obligations in the financial year 2021-21. Tax collections are falling short for from expectations – May be due to covid-19 and subsequent harsh lockdown and its consequences. This paper examines primarily the impact of GST on SEZ.

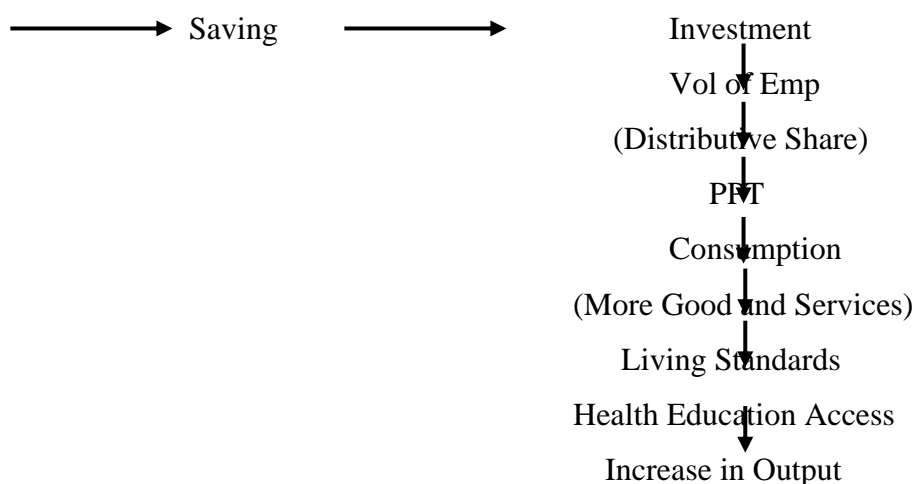
Keywords :-GST, SEZ, Supply to, Supply from.

Introduction :-The term of special Economic Zone is a widely commonly used as a generic term. It indicates the setting up of a modern economic zone on idea to bring the less developed area and regions into mainstream of development in order to lessen the regional inequalities. The problem is that when a baby is transferred from someone who gave birth to some other one, things are totally changed. The primary focus under this scheme was mainly Concerned with estate, acquisition of land. Whenever a scheme is implemented, its forward and backward linkages are thoroughly studied and examined. After the implementation of

New Economic policy and economic reforms in the name of Liberalization, Privatization and globalization (LPG in

1991) modernization was the core issue with the up gradation of skills, technology and the production process in order to increase efficiency and productivity. We were moving to old concept of market economics and the working of comparative cost theory of International Trade and for that competitive strength in the economic system was to be strengthened. This was a challenge at the global level, which was to be faced by the India Economy also in order to collect foreign exchange and also meet the import requirements favorable, its consequence are large and no nation could conceal the grim reality of foreign exchange crisis.

For increase in GDP, following is the blow diagram



GDP is the monetary value of all final goods and services produced in the domestic territory of an economy by the normal residents in accounting year.

Economic brauth means increase in output within a particular period, normally one year

$$= \frac{y_t - y_{t-1}}{y_{t-1}} \times 100$$

Scheme of SEZ come into being from Feb 9, 2006 under the 11th Five year plan (at that time institution of planning commission was in operation and service of five year plans were launched under the direction of this authority but now the New govt. has setup of NITI Aayog – at think tank). The Scheme SEZ act 2005, was passed by the parliament in May 2005, This scheme as supposed to be an engine for economic growth supported by well developed basic infrastructure complimented by an attractive fiscal package both at the level of the centre as well as the states with minimum possible regulations. As we know SEZ a more liberal area means more liberal than a country , domestic economic rules and regulations. Now the situation has already changed with the imposition of GST in the indirect



tax structure of India. As a result the question of tax concessions under the old system needs for a review process. Now studies are to be made in the light of one tax- one nation. The working of SEZ is to be examined, reviewed and monitored under the new tax regime. Some high lights and salient features of the GST are being mentioned below for ready reference_____.

Prerequisite and in pacts in GST

- Duly free import / domestic procurement of goods for development, operation and maintenance of SEZ units.
- 100% income tax exemption and export income for SEZ units under section 10A(A) of the income Tax Act for First five years, thereafter and 50% of the phughed back export profit for next 5 years (sunset clause for units will become effective from 01.04.2020)
- Exemption from Minimum Alternate Tax (MAT) under section 115 JB of the income tax.
- Exemption from central sales tax, exemption from service tax and exemption from states sales tax. These have now subsumed into GST and supplies to SEZ are zero rated under IGST Act, 2017.
- Other levies as imposed by the respective state governments.
- Single window clearance for central and state level approvals.

Review of Literature-

1. Nishita Gupta in her study ‘Goods and service tax: It’s impact on Indian Economy’ Stated that the goods and service tax (GST) will indicate be a significant improvement towards a comprehensive Indirect tax reforms in India and it would and improve tax collections. It would end distortions of differential sectors. Further view that it would lead to the abolition of taxed such as central sales tax, state level sales tax, octri, entry tax, stamp duty, telecom license fees, tax on consumption, GST is expected.
2. Nitin Kumar wrote in his research paper “Good and Service tax in India: A way forward that the Goods And Service Tax (GST) is one of the biggest taxation reforms in India. The central idea behind this form of taxation is to replace existing levies likes VAT, service tax, excise duty and sales tax by levying a compressive tax on the manufactured consumption of goods and services in the country GST is expected to



unite the country economically as it will remove various from of taxes that are currently levied at different.

Literature Gap

According to data released by the National Statistical office on 31-08-2020 (Monday), India's GDP contracted by a staggering in 23.9% is Q1 of 2020-21. The contraction is larger than the 19.2% figure protected by a Bloomberg poll of economists. An examination of gross value added figures = GDP-taxes shows that the non form economy has suffered a contraction including, public administration defense and other services, usually this phenomenon does not happen in the economy that GDP growth number are lower than GVA which means taxes have also contracted.

The centre at GST council meeting on Aug 27, 2020 gave states two options either borrow the compensation amount arising from implementation of GST (Rs. 97000 Crore) from a special window of RBI or the entire short fall of Rs. 2.35 Lakh Crore under the GST (Compensation to states) Act 2017, states are guaranteed compensation for loss of revenue on account of implementation of GST for a transition period of five years (2017-22) the compensation is calculated based on the difference between states currnt GST revenue and the protected revenue after estimating an annualized 14% growth rate from the base year of 2015-16. Hence under this situation there is a big question mark?

Objectives :- This paper is mainly focused on two objectives :-

1. To study mainly the benefits and exemptions that are available to SEZ.
2. To analyse the idea of zero rated supply under GST.

Research Methodology

The main aim of research is to extend the bond docks of knowledge. Research provides the new era of technology to sustains the economy. A good research should generate new innovative ideas, data obtained professionally which make research reliable so that could be used indecision making process.

This paper is based on secondary data obtained from authentic and slandered sources eg – journals, periodicals, New Papers and reports related to SEZs and GST along with published and unpublished standard work of researchers certain other agencies are there to provide reliable information on the basis of their extensive survey work and analysis.



Analysis and Discussion

In fact after the introduction of NEP 1991, a number of commission and committees have been set up in order to make the India tax structure as simple as it could be. It was also thought that higher is the rate of taxation, greater is the tendency of evading the tax the purpose behind a good tax system should be so that the govts. gets higher revenue so that the increasing extensive and intensive obligations of the Govt. could be met along with a motivation for increase in investment employment and output in the economy. A proper balance has to be kept in mind between aggregate demand and aggregate supply in the economy. When the system of taxation is very complex. It retards the rate of growth. Under indirect tax system there is a shifting of tax. Hence it was well thought a multi layer tax system should be rationalized and there should be free movement of goods from one corner of the country to the other corner. There were expectations for a single tax system and ultimately on July 2017, country moved to a single tax system. A number of taxes duties levies were merged into one tax. Sometimes there are greater expectations. But our point is how for SEZs we going to benefitted under this text system. In this regard, the worth mentioning points are ;

In this analysis we see how much benefits and exemptions are for SEZs.

(1) Benefits and exemptions that SEZ operators are eyeing from GST are :-

- In occurrence of physical passage or anybody providing goods to SEZ a comparable strategy applies. They can do it either under security and not follow through on government cost or they can pay IGST and take rebate.
- Same treatment for any supply made to SEZ as it is advanced with regards to trades. So zero rating will be the identical. Earlier it was expressed that the SEZ players will at first need to follow through on the administration cost and a short time later the SEZ unit will get mark down.
- Easy refund procedure of information on GST paid on securing of Goods and Services expecting any.
- Export promotion council for SEZ and EoVs found prior the supply of goods or administrations to a SEZ originator and SEZ units were depicted as ‘Zero



evaluated supply' under IGST and it directed the architects and units getting such supplies were required to take rebate of the IGST.

- Exports from SEZs and toll units part contributed around 33 percent in the nation's total shipments.
- Minimalistic compliance requirement and return filing procedure.
- Paying the commitments first and a short time later search for mark down would provoke hardship to the hardship to the SEZ section as their monster proportion of working capital would have been dashed for some period. Supplies into SEZ to be barred from GST and be treated as charge outside India.
- With regard of taxation of SEZ under the GST organization the export said it would be "zero evaluated at slandered with fares".

2. Zero rated supply under GST :-

Zero assessed supply proposes any of the running with taxable supply of goods and also benefits to be specific.

- a. Export of goods and moreover benefit or.
- b. Supply of goods and moreover administration to a SEZ fashioner or a SEZ unit.

It is furthermore give that the credit of info tax may be profited for making zero evaluated supplies in spite of that such supply may be a barred supply, it is furthermore given that a selected taxable individual exchanging goods or administrations will be met all requirement to ensure rebate under one of the going with two decisions :-

- I. An enrolled taxable individual may exchange goods or administrations under security, subject to such conditions assurances and strategy endorsed without part of Integrated GST and approval reduction of unutilized input tax credit as indicated by approaches of zone 48 of the central GST Act.
- II. A preferred taxable individual may switch over goods or administrations subject to such conditions, shields and framework as may be supported with portion of IGST and certification rebate of IGST paid on goods and administration conveyed according to course of action of section 48 of the CGST Act.



At long last it is given that the SEZ specialist or SEZ unit getting zero evaluated supply will be met all requirements for case rebate of IGST paid by enlisted taxable individual on such supply.

Conclusion and findings

SEZ is a predetermined sanguine where it was a dream to make a balanced development of ovules which have not been at pare with other developed regions. NITI Aayog galso listed about 100 inspirational districts of the country and Nuh Distt. (formerly Mewat) has been the most backward district of the country SEZ has been into the problems related to land acquisitions. Exemptions are concessions are naturally expected under the new tax regime so that SEZ cent be will developed in order fulfill its pbjective The Government of India exempts all goods imported by a unit or an organization in the SEZ for affirmed assignments. The consequence of zero rated supply is limited and prevailed to average fares and supply to SEZ or SEZ design. This overview helped in recognizing that the zero GST on SEZ impelled allSEZs towards more eminent speculation, more fares and improvement in SEZs.

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