GSTZONE

# Exports, Imports & SEZ

*Selling outside India, and buying into it*

The complete guide, plus all 3 sections and rules

Text sourced from the Central Board of Indirect Taxes and Customs

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A Khemchandani Finance initiative

## Start here

Exports are zero-rated, which is stronger than exempt. Exempt means no tax on the output and no credit on the inputs. Zero-rated means no tax on the output and you still keep the credit - which is why exporters end up with refunds rather than dead credit.

Supplies to a Special Economic Zone unit or developer get the same zero-rated treatment as a physical export, provided the supply is for authorised operations.

Export of services carries conditions that catch people out: the supplier in India, the recipient outside, place of supply outside India, payment received in convertible foreign exchange, and the two parties not merely being establishments of the same person.

## A worked example

### The billing that quietly stopped being an export

| | | |
|---|---|---|
| Indian company bills its UK parent | **₹90,00,000 for the year** | Treated as zero-rated export |
| Both are establishments of the same person | **Condition five fails** | Not an export in law |
| Reclassified as a domestic supply | **18% GST becomes payable** | ₹16,20,000, plus interest |

> **The point:** Nothing about the work changed - only the relationship between the two entities mattered. Group structures are exactly where this condition needs checking before the first invoice, not after the first audit.

## The mistakes that cost people money

- Exporting without a live LUT for the current financial year, which makes IGST payable on supplies you intended to zero-rate.
- Assuming foreign currency receipt is optional. For services it is a condition, not a formality.
- Treating supplies to an SEZ as zero-rated without confirming they are for authorised operations.

## What this guide covers



## Every provision, explained

**IGST S.10 · IGST ACT, 2017**

### Place of supply of goods other than supply of goods imported into, or exported from India

Place of supply of domestic goods. Where the supply involves movement it is where the movement ends for delivery to the recipient; on a bill-to-ship-to it is the third party's principal place of business; where there is no movement it is where the goods sit at delivery; for assembly at site it is the site; and on board a conveyance it is where the goods were taken on board.

- Bill-to-ship-to under 10(1)(b): the place of supply is the third person's location, not where the goods physically go - the deemed-receipt Explanation to section 16(2)(b) of the CGST Act completes the credit chain.
- For a supply to an unregistered person, the place of supply is the address on record; where none exists, the supplier's location (amended 01-10-2023 for e-commerce supplies to unregistered persons).
- Assembly or installation at site fixes the place of supply at the site - which is what forces a contractor to register in that State when he has a fixed establishment there.

**IGST S.11 · IGST ACT, 2017**

### Place of supply of goods imported into, or exported from India

On imports the place of supply is the importer's location, so IGST reaches the importing State. On exports it is the place outside India, which keeps the supply zero-rated.

IGST S.16 · IGST ACT, 2017

## Zero rated supply

Zero rating. Exports and supplies for authorised operations to an SEZ developer or unit are zero rated, so no tax sticks: either supply under a bond or LUT and claim refund of the unutilised input tax credit, or pay IGST and claim refund of the tax. Since 1 October 2023 the paid-IGST route is confined to notified suppliers and goods, and export proceeds must be realised within the FEMA period or the refund is recoverable with interest.

- Two routes: LUT or bond with refund of unutilised credit, or payment of IGST with refund of the tax. Since 01-10-2023 the paid-IGST route is available only to notified suppliers and goods, so the LUT route is the default.
- SEZ supplies are zero-rated only for AUTHORISED OPERATIONS - an endorsement from the specified officer is needed for the refund.
- Rule 96B recovers the refund with interest if export proceeds are not realised within the FEMA period, unless the RBI writes it off.
- A LUT is filed annually in RFD-11 before the first export of the year; exporting without a valid LUT means tax has to be paid.