



GN LAW ASSOCIATES

ARTICLES 2017



www.gnlawassociates.com

Treading the GST Path – XXV A bemused CA

Author: G. Natarajan

Mr. Krishnamurthy, is a Chartered Accountant and passionate about GST. He got an opportunity to conduct a training class for the employees of a multinational SEZ unit, situated in Chennai, on GST. He was very thrilled about the offer and quoted Rs.25,000, which was agreed. He was actively preparing the powerpoint presentation. Suddenly it stuck him as to whether he would be liable to charge any GST on his professional charges and he started verifying this aspect.

He understood that as per Section 16 (1) (b) of the IGST Act, his service provided to the SEZ unit would be a zero rated supply and he was happy about it. When he further browsed the provisions, he landed upon Rule 89 of the GST Rules, 2017.

As per Rule 89, he noticed that he can pay IGST on his services provided to SEZ unit and claim refund of the same, after producing evidence regarding receipt of services for authorised operations as endorsed by the specified officer of the zone. He was doubtful, whether the SEZ unit which has asked him to give an one time lecture on GST would undertake the trouble of getting such endorsement from the specified officer of SEZ. Further, he has to furnish the following documents, while claiming refund.

- a statement containing the number and date of invoices as provided in rule
- a statement containing the number and date of invoices, the evidence regarding the endorsement specified in the second proviso to sub-rule (1) and the details of payment, along with the proof thereof, made by the recipient to the supplier for authorised operations as defined under the Special Economic Zone Act, 2005, in a case where the refund is on account of supply of services made to a Special Economic Zone unit or a Special Economic Zone developer;
- a declaration to the effect that the Special Economic Zone unit or the Special Economic Zone developer has not availed the input tax credit of the tax paid by the supplier of goods or services or both, in a case where the refund is on account of supply of goods or services made to a Special Economic Zone unit or a Special Economic Zone developer;

He found the procedures to be too cumbersome and looked for alternatives and landed upon Rule 96 A, according to which he need not pay any IGST on the services provided to SEZ unit. Feeling relieved of the pain of paying first and claiming refund thereafter he made further research.

But on close reading of the same, he realised that he has to execute a Bond before the jurisdictional GST officer, undertaking to pay the tax if the consideration is not received in convertible foreign exchange within the period specified. But the SEZ would not pay him in convertible foreign exchange. Though he found that as per sub rule (6) of the said rule, reading the condition *mutatis mutandis*, even receipt in INR from SEZ should be accepted, he was not sure whether the departmental

officer would accept such plea. Further, he also realised that along with the bond he would also be required to execute a Bank Guarantee for 15 % of the Bond value, to claim such exemption from payment of IGST. He is also not sure of the value for which he has to execute such Bond, as he do not know whether his lecture would be a super hit and he would be called again by the SEZ unit and other adjacent units or not.

Bemused by the above, he called up the SEZ unit and expressed his inability to give the lecture on GST for them.

(Published in www.taxindiaonline.com on 25.07.17)

