

**ACQUISITION OF GOODS AND SERVICES FROM GIFT SEZ BY A DOMESTIC
TARIFF AREA (DTA) AND BENEFITS AVAILABLE AT DTA**

**This is our third article for the in series of awareness articles on International Financial Services
Center (IFSC) for brokers**

1.0. Synopsis of our previous issue on IFSC

In our previous article, we provided you with a detailed insight into the procedural aspects for setting up a unit and information on recent development of GIFT IFSC

2.0. Coverage in the current issue

In this Issue, we shall endeavor to provide you with some insight on procurement of goods & services by a broker in DTA from SEZ/SEZ units & highlighting the benefits for a broker in DTA

3.0. Introduction

Domestic Tariff Area (DTA) means an area within India that is outside the Special Economic Zones.

4.0. Procurement of goods & services by DTA units from SEZ

The SEZ Rules, 2006 allows a unit in SEZ to deliver goods & services to DTA on payment of custom duties.

The SEZ Rules also prescribes procedure for sale in DTA stating that DTA buyer or unit shall file Bill of Entry (hereinafter referred to as BOE) for goods and/or services. However a SEZ unit may also file the BOE for home consumption on the basis of authorization from a DTA

Further valuation of the goods and/or services cleared into DTA shall be determined in accordance with provisions of Custom Act and rules made their under.

On plain reading of the above rules it appears that services rendered by SEZ unit to DTA also attract Customs duties but the charging section 30 of SEZ Act, 2005 does not say so or is silent on sale of services by a SEZ unit into DTA. It levies Customs duties only on the goods cleared to the DTA by SEZ Units.

The SEZ/SEZ units are foreign territories in India as per the SEZ Act and, therefore, they are out of bounds for the levy of service tax on them and the Service recipient only has to discharge the tax liability under reverse charge mechanism.

However, As per Finance Act 1994, the liability to pay the service tax on the rendering of services in the DTA lies squarely on SEZ units only.

So for the purpose of service tax, the SEZ shall not be considered to be a part of foreign territory.

Now, what will be the mode of payment for procuring goods & services from a SEZ/SEZ unit?

As per the definition under Section (2) (z) of the SEZ Act, 2005 (hereinafter referred to as the act)

“Services” means such tradable services which:-

- are covered under the General Agreement on Trade in Services annexed as IB to the Agreement establishing the World Trade Organization concluded at Marrakes on the 15th day of April, 1994;
- may be prescribed by the Central Government for the purposes of the Act in rule 76 of SEZ Rules, 2006.; and
- earn foreign exchange

Since the object of SEZ is to encourage exports in goods and services so that the government gets much needed and precious foreign exchange, therefore a SEZ/SEZ unit is allowed to render services for earning foreign exchange by way of exports only.

So from the above, a DTA unit procures:

- Goods from SEZ- Custom duty will be levied and there is requirement of filing BOE for home consumption.
- Services from SEZ- Service tax will be levied and SEZ/SEZ units are liable for the payment of the same.
- Mode of billing & payment- Currency other than INR.

5.0. Benefits under State taxes to DTA Units specially for brokers

By virtue of being in GIFT City, a DTA unit can avail certain benefits which are not generally available to it. Brief of the benefits are given below:

4.1. Stamp Duty

In order to encourage the service sector and to accelerate employment opportunities to the youth in the GIFT city, Gandhinagar, Government of Gujarat has exempted from payment of Stamp Duty to the share broking transactions of the share brokers who establish their registered share broking office in GIFT City, Gandhinagar and also operate and trade from the same place.

4.2. Electricity Duty

As per notification No. 9/2016 issued by Ministry Of Finance under Customs Act, with effect from 16th February 2016 some benefits have been provided w.r.t the items mentioned below:

The Standard rate of custom duty on electricity per Kwh (In INR) : Electrical energy supplied from:

Processing Area of SEZ to DTA	Non-Processing Area of SEZ to DTA
<ol style="list-style-type: none"> 1. Imported coal as fuel- INR 0.40 2. Domestic coal as fuel- INR 0.65 3. Mix of domestic gas/RLNG (Regasified Liquefied Natural Gas) as fuel- INR 0.59 4. RLNG as fuel- INR 0.89 	<ol style="list-style-type: none"> 1. Imported coal as fuel- INR 0.24 2. Domestic coal as fuel- INR 0.24 3. Mix of domestic gas/RLNG as fuel- INR 0.18 4. RLNG as fuel- INR 0.21

Dear Readers,

This is my last article in the series. I, on behalf of 'Exemplary Consultants Private Limited', would like to thank you for giving your precious time on reading my articles. For the reference, the subject of my previous articles was based upon opportunities and benefits for a broker in Gujarat International Finance Tec-city (hereinafter referred to as GIFT), the only International Financial Service Centre (hereinafter referred to as IFSC) in India.

There were lots of queries we received from various part of country regarding set up of business in IFSC, Timeline for set up, dealing in securities etc., which we tried to solve through our previous two articles in form of FAQs. We are hoping that everyone, who went through the articles get the basic idea about GIFT IFSC and aware of various opportunities & fiscal Incentive.

I would also like to thank BSE Broker Forum for allowing us to write article on brokers and publish the same in their journal.

For more information & queries, please contact

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