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December 26, 2022

Shri Sunil Barthwal, IAS  
Secretary  
Ministry of Commerce & Industry

**Sub: Recommendations on issues pertaining to SEZ Endorsement of Invoices**

Respected Sir,

***Greetings from MAIT!***

At the outset, MAIT would like to take this opportunity to thank Ministry of Commerce & Industry, Government of India for its continued support to the Indian Inc.

We appreciate DoC for permitting IT/ITeS units in SEZ to allow 100% Work from Home (WFH) till 31 December 2023. This step really helps the industry by enabling further flexibility for the units operating in SEZ facility.

While there are a lot of initiatives taken by the Govt of India to enable ease of doing business in the nation, however, there are a few issues which are creating operational hurdles for the industry like issues related to non-Endorsement of invoices by SEZ units. Therefore, we are writing to your good office to humbly recommend MAIT's inputs on the same.

**Problem statement:**

1. By Virtue of Rule 30 (4) of SEZ Rules effective from 19th Sept. 2018, liability has been imposed on the DTA supplier if **endorsement** as prescribed is not submitted by the SEZ units within 45 days from the date of DTA supplier invoices. For no fault of DTA supplier delays in not getting endorsement by the SEZ units from their SEZ officer is creating undue hardship on DTA supplier.
2. Also, during GST audit, the officer seeks for details of SEZ endorsement on transaction supplied prior to revision of Rule 30 (4) of SEZ rules to prove that the zero-rated supplies are made for '**Authorised Operations**' of the SEZ customers under section 16 of IGST Act, 2017, resulting into potential risk of tax liability for non-endorsed transactions. Further, refunds are denied for such cases resulting into accumulation of input tax credit blocking working capital.
3. Currently process of endorsement is time consuming, requires a lot of follow-ups which results into delays. Responsibility of obtaining endorsement lies with SEZ units/developers whereas liability is imposed on DTA supplier. Some of the common response received from SEZ customers are listed below:

- a. Successive officers who have taken charge are unwilling to endorse the invoices during the period transacted by their predecessors.
- b. Officers expressing unwillingness to endorse invoices related to previous years i.e. 17-18 to 20-21 years.
- c. During initial years, SEZ online portal did not have the facility to endorse 'services invoices', due to setup issue. The current designated officers are unwilling to endorse old service invoices.
- d. Officers are rejecting application for belatedly or non-timely filing of DTA procurement forms by the SEZ customers.
- e. Approval of AO (authorized officer) instead of SO (specified officer) as required by GST Law is causing undue hardship and rejection of refund application filed by DTA service providers.
- f. Populating the vendor master details in the DSFM form for each financial year is challenging and time consuming.
- g. A few officers have been insisting the SEZ units/developers in submission of physical copies of all the invoices and ARN copies for which endorsement has been proposed in the DSFM form.
- h. Officers at MEPZ are insisting for a CA certification of all invoices prior to FY 20-21 for getting an endorsement even though the justification/documentation is provided which is leading to additional cost & is time consuming for the SEZ units for such submissions which may lead to delay in submissions.
- i. Unable to reset the login IDs & passwords by the SEZ customers

#### **Recommendations:**

1. It is recommended to notify **suitable directives to field formation** to expedite in issuing endorsement for all zero-rated transactions post introduction of GST to reduce any type of hardship on DTA supplier.
2. Further, **manual process of SEZ endorsement should be done away** by two-way interface between SEZ online and GST portal.
3. **Zero rated supplies** made to SEZ customer by DTA supplier reported on GST portal transmitted to SEZ online portal for seeking endorsement.
4. Supplies duly endorsed by **Specified / Authorised officer** to be transmitted to GST portal from SEZ online.
5. Once the same is endorsed by the **Specified officer**, the same can be reflected in the GST dashboard of the DTA supplier which can be in the form of an auto-populated report for having an ease of track and for any further reconciliation of SEZ endorsement purposes.
6. Upon approval given by Specified / Authorised officer, email indicating such approval will be sent to DTA Supplier. So as a documentation process there should be a window provided to the DTA supplier to download the approved acknowledgment at any point/period.

7. Further again, current designated officer should take responsibility to endorse the invoice before they take charge i.e. **old dated invoices and allow SEZ customer to reset the login IDs & passwords.**
8. Also feeding of Gate Entry Details before approval of Authorized Officer. This access can exist under DTA procurement form in SEZ Online portal. The unit holder to update the Gate Entry provisions and submit to Authorized Officer/Specified Officer for approval. Once the approval done, the data to be transmitted to GST Portal. Also, provisions to provide the DTA supplier to upload the data in the DTA Procurement page. This will eliminate manual certification as well as the endorsement on the invoice.

We hope that you will consider our recommendation on non-endorsement of invoices by SEZ units in a timely manner to enable a holistic business environment by removing redundant compliance burden.

Thanking you once again!

Warm regards,



Col. AA Jafri, Retd.  
Director General

CC: Shri Vipul Bansal, IAS, Joint Secretary, Ministry of Commerce & Industry