

To Study the Compliance of DTA Service Procurement Form of SEZ Unit

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Abstract - This paper explores the compliance procedures involved in procuring Domestic Tariff Area (DTA) services within Special Economic Zones (SEZs) by Indian entities. The study aims to assess the legal requirements, evaluate compliance mechanisms, identify challenges faced by SEZ units, and examine the Goods and Services Tax (GST) exemptions availed by certain clients. The conclusions highlight the complexities in SEZ operations and offer recommendations to improve operational efficiency, particularly regarding integrated GST invoicing systems.

Key Words: Special Economic Zones (SEZ), Domestic Tariff Area (DTA), compliance, Goods and Services Tax (GST), procurement, operational efficiency.

1. INTRODUCTION

Special Economic Zones (SEZs) are designated regions within a country where distinct economic regulations apply, differing from the country's broader economic laws. These zones are intended to promote economic growth by attracting foreign investment and facilitating trade. This paper focuses on the compliance processes for procuring DTA services in SEZs, concentrating on legal frameworks, operational challenges, and the impact of GST on these transactions.

1.1 What is the project

The project aims to explore and analyze the compliance process for procuring Domestic Tariff Area (DTA) services within a Special Economic Zone (SEZ). It focuses on understanding how SEZ units interact with DTA services and the regulatory framework governing these interactions. This involves examining the procedures, legal requirements, and compliance measures that SEZ units must follow when engaging with DTA service providers. The goal is to identify any challenges or inefficiencies in the current system and propose improvements to streamline the process.

1.2 Definition of Concept

A **Special Economic Zone (SEZ)** is a designated geographical area outside the customs territory of India. SEZs offer favourable economic laws, including exemptions from customs duties and streamlined procedures for businesses. SEZ Units operate within these zones, benefiting from incentives and facilities provided by the SEZ framework.

1.3 Purpose

Purpose: The project aims to assess the compliance practices of SEZ Units when procuring services from DTA.

1.4 Scope of the Project: The project's scope includes:

- Detailed analysis of relevant laws, rules, and guidelines.
- Work with SEZ Unit representatives and DTA service providers.

1.5 Salient Contribution:

- **In-depth Insights:** The project will provide valuable insights into the compliance landscape within SEZs.
- **Recommendations:** Based on findings, practical recommendations will be proposed to enhance compliance efficiency.

2. Background

The establishment of SEZs in India aimed at enhancing the country's economic environment by creating more favorable conditions for business. However, ensuring compliance with regulations governing DTA service procurement presents significant challenges for SEZ units.

2.1 Objective of the Study

The objectives of this study are to:

- Examine the legal requirements for procuring DTA services and assess the efficiency of compliance mechanisms.
- Investigate the issues faced by SEZ units in adhering to these compliance standards.
- Analyze the application of GST exemptions for some clients.

2.2 Research Strategy

The research relies on secondary data, including reference books, industry reports, and online resources, to gather insights into SEZ compliance practices and procurement processes.

3. Theoretical Background

3.1 Theoretical framework, background theory.

"A careful investigation enquiry especially through search for new facts in any branch of knowledge." Research methodology is a way to systematically solve the research problem. It may be understood as a science of study how research is done scientifically. The various steps that are generally adopted by researcher in study his research problem along with the logic behind them. It is necessary for the researcher to know not only the research method or techniques but also the methodology. Thus, when we talk of research methodology, we not only talk of the research methods but also consider the logic behind the methods we use in the contest of our research and explain why we are using a particular method or technique and why we are not using others so that research are capable of being evaluated either by research himself or by others. There is different source of collection data. This is the first stage in statistics. Before deciding the source to collect the data one must make a proper planning of investigation and the purpose of inquiry

Secondary Data: -

The source of information through documents concerning individuals and institutions are known as secondary data or documentary source. Secondary data is generated with the help of following:

❖ Reference Books & Websites: Theory relating to the subject matter and various concepts taken up from various reference books. The company information like history, Product Profile is collects as per information website, journal paper.

Research Design –

It Includes following Steps

- ❖ Project Details
- ❖ Analyzing Sector & Company.

❖ Research Findings

3.2 Review of the existing literature from international/ national journals, conferences, books, and reports which are related to the project.

Review of the existing literature from international/ national journals, conferences, books and reposts is a big help for my research analysis. I get to know many opinion about Sez Consultancy and Sez Units grows. For developing nation like ours, india need this kind of steps for growing our economy and continue developing standard of living. Here are some research papers that I used/ gave reference to complete my research:

1. **Name** - Management and Working of Special Economic Zones in India.

Writer - Kumar, P. (2021). Management and Working of Special Economic Zones in India. *Turkish Online Journal of Qualitative Inquiry*, 12(10). (1)

Summary - In the 2021 article "Management and Working of Special Economic Zones in India," P. Kumar explores the operational frameworks and administrative mechanisms of Special Economic Zones (SEZs) in India. Kumar examines how SEZs are managed, their economic impact, and the challenges they face. The study provides an overview of the policies governing SEZs, their role in promoting economic growth, and issues related to their effectiveness and sustainability. It highlights both successes and shortcomings in the SEZ model, offering insights into how these zones can be better managed to enhance their contributions to the Indian economy.

2. **Name** - Fiscal implications of special economic zones in India: a study of Noida SEZ.

Writer - Bishnoi, N. K., & Babita. (2021). Fiscal implications of special economic zones in India: a study of Noida SEZ. *International Journal of Engineering Management and Economics*, 6(4), 259-271. (2)

Summary - In the 2021 article "Fiscal Implications of Special Economic Zones in India: A Study of Noida SEZ," Bishnoi and Babita analyze the economic and fiscal impacts of the Noida Special Economic Zone (SEZ). They investigate how the SEZ model influences

government revenues, expenditures, and overall fiscal health. The study provides a detailed assessment of the financial benefits and costs associated with Noida SEZ, including tax incentives, revenue generation, and economic growth. The authors highlight both positive outcomes and fiscal challenges, offering recommendations for optimizing the financial benefits of SEZs while addressing potential fiscal drawbacks.

3. Name - SEZs under the WTO's Scrutiny: Defining the Scope of Trade Issues.

Writer - Shadikhodjaev, S. (2019). SEZs under the WTO's Scrutiny: Defining the Scope of Trade Issues. *International Economic Law and the Challenges of the Free Zones*, Alphen aan den Rijn (The Netherlands): Kluwer Law International, 213-231. (3)

Summary - In the 2019 book chapter "SEZs under the WTO's Scrutiny: Defining the Scope of Trade Issues," Shadikhodjaev examines how Special Economic Zones (SEZs) are evaluated under World Trade Organization (WTO) rules. The chapter explores the regulatory and trade-related challenges that SEZs pose within the international legal framework. Shadikhodjaev discusses the balance between promoting economic growth through SEZs and adhering to WTO principles, particularly concerning trade subsidies, non-discrimination, and market access. The analysis provides insights into how SEZs can align with global trade regulations while addressing legal and policy concerns.

4. Name - Special Economic Zones in South Asia: Structural Change, Competitiveness and Growth.

Writer - Aggarwal, A. (2024). *Special Economic Zones in South Asia: Structural Change, Competitiveness and Growth*. Taylor & Francis. (4)

Summary - In the 2024 book "Special Economic Zones in South Asia: Structural Change, Competitiveness and Growth," Aggarwal offers a comprehensive analysis of the impact and evolution of Special Economic Zones (SEZs) in South Asia. The book examines how SEZs have contributed to structural changes in the region's economies, focusing on their roles in enhancing

competitiveness and driving economic growth. Aggarwal assesses the successes and limitations of SEZs in various South Asian countries, providing a detailed evaluation of their effectiveness in fostering industrial development and economic diversification. The study also discusses policy recommendations to improve the performance and sustainability of SEZs in the region.

5. Name - SPECIAL ECONOMIC ZONES.

Writer - Neveling, P. (2024). SPECIAL ECONOMIC ZONES. *Insidious Capital: Frontlines of Value at the End of a Global Cycle*, 35, 40. (5)

Summary - In the 2024 article "SPECIAL ECONOMIC ZONES" from the book *Insidious Capital: Frontlines of Value at the End of a Global Cycle*, Neveling explores the role and impact of Special Economic Zones (SEZs) within the context of global capitalism. The piece examines how SEZs operate as nodes of value extraction and economic activity, highlighting their implications for labor, capital, and global trade dynamics. Neveling critically assesses the often hidden costs and benefits of SEZs, particularly in terms of how they reflect broader trends in global economic cycles and value production. The analysis provides a nuanced perspective on the economic and social effects of SEZs in the current global landscape.

6. Name - Special Economic Zones as Instrument of Industry and Entrepreneurship Development.

Writer - Streltsov, A. V., Yakovlev, G. I., & Nikitina, N. V. (2020). Special Economic Zones as Instrument of Industry and Entrepreneurship Development. In *Digital Age: Chances, Challenges and Future* 7 (pp. 243-251). Springer International Publishing. (6)

Summary - In the 2020 book chapter "Special Economic Zones as Instrument of Industry and Entrepreneurship Development," Streltsov, Yakovlev, and Nikitina explore the role of Special Economic Zones (SEZs) in fostering industrial growth and entrepreneurship. The authors discuss how SEZs can serve as effective tools for stimulating economic development by providing favorable conditions for businesses

and attracting investment. The chapter examines various mechanisms through which SEZs promote industry and innovation, as well as the challenges they face. It highlights the potential of SEZs to drive economic progress in the digital age while addressing the practical and policy-related issues that can impact their success.

7. **Name** - Impact of special economic zones on employment, poverty and human development, Working Paper no 194, New Delhi: Indian Council for Research on International Economic Relations.

Writer - Aassve, A., Cottini, E., & Vitali, A. (2020). Impact of special economic zones on employment, poverty and human development, Working Paper no 194, New Delhi: Indian Council for Research on International Economic Relations. Aitken, Performing capital: Toward a cultural economy of popular and global finance, New York: Palgrave Macmillan. *Science*, 48(3), 496-512. (7)

Summary - This study examines the impact of Special Economic Zones (SEZs) on employment, poverty, and human development. The authors analyze how SEZs affect job creation, economic disparities, and overall quality of life. They assess the effectiveness of SEZs in improving socio-economic outcomes and explore the broader implications for development policy.

8. **Name** - Spatial Frameworks of Comparison: Planning Western India's Free Ports and Free Trade Zones

Writer - Maruschke, M. (2023). Spatial Frameworks of Comparison: Planning Western India's Free Ports and Free Trade Zones, 1830s–1980s. *Global Intellectual History*, 8(6), 868–889. (8)

Summary - In the 2023 article "Spatial Frameworks of Comparison: Planning Western India's Free Ports and Free Trade Zones, 1830s–1980s," Maruschke examines the historical development of free ports and free trade zones in Western India. The study provides a comparative analysis of how these zones were planned and implemented from the 1830s through the 1980s. Maruschke explores the

spatial and economic frameworks that shaped the development of these zones, focusing on their impact on trade, industrialization, and regional planning. The article highlights the evolving strategies and policies used to integrate free ports and trade zones into India's economic landscape over time.

9. **Name** - Making the political, and doing politics: Unfixed land in an Amoebal Zone in India.

Writer - Sud, N. (2020). Making the political, and doing politics: Unfixed land in an Amoebal Zone in India. *The Journal of Peasant Studies*, 47(6), 1348-1370. (9)

Summary - In the 2020 article "Making the Political, and Doing Politics: Unfixed Land in an Amoebal Zone in India," Sud explores the complexities of land politics within a Special Economic Zone (SEZ) in India. The study focuses on the concept of "unfixed land"—land whose status and use are subject to ongoing political and economic negotiations. Sud examines how these fluid land arrangements impact local communities, governance, and development. The article sheds light on the power dynamics and political strategies involved in managing and contesting land within the SEZ framework, highlighting the broader implications for land rights and rural politics.

10. **Name** - The politics of special economic zones: the case of Polepally in Andhra Pradesh, India

Writer - Apsingkar, R. K. (2019). *The politics of special economic zones: the case of Polepally in Andhra Pradesh, India* (Doctoral dissertation, Deakin University). (10)

Summary - In the 2019 doctoral dissertation "The Politics of Special Economic Zones: The Case of Polepally in Andhra Pradesh, India," Apsingkar examines the political dynamics surrounding the development of the Polepally Special Economic Zone (SEZ) in Andhra Pradesh. The study explores how local, regional, and national political factors influence the planning, implementation, and management of the SEZ. Apsingkar delves into the conflicts and negotiations between various stakeholders, including government authorities, businesses, and local communities. The dissertation

provides a detailed analysis of how political considerations shape the SEZ's development and its impact on local socio-economic conditions.

4. Project Details

4.1 Brief of the task done by intern

To begin with, as a part of my PGDM curriculum, I have done my internship training at MOON SEZ CONSULTANTS PVT LTD which is located at Kalewadi. In this report I am going to share my experience in the company for the period of 2 months. During my internship in Moonsez I worked in DSPF, where I was extracting the data from the invoices and putting it in excel template given by the company and handled an E-commerce site named Sezonline.in. So, I'll begin with how DSPF functions:

1. **Procuring Data from Client (GSTR2B)**
2. **Checking Invoices of Services**
3. **Template Punching**
4. **Problem Solving**
5. **Filling GSTR2B on sezonline**
6. **Procuring Approval GSTR2B**
7. **Reconciliation of Approval GSTR2B**
8. **Sharing Approval data with Client**

1. Procuring Data from Client (GSTR2B)

A service invoice was submitted to DSFP in order to receive tax exemptions. acquire data by email using an encrypted file sharing system for the client. The client communicates via email most of the time, but occasionally we need to meet online or have calls to get a speedy answer or discuss an invoice issue.

2. Checking Invoices of Services

Obtaining data for the client with accurate information on the invoice that needs to be filled out. such as the LUT number, address, firm name, date, email address, HSC code, GST number, and taxable amount.

3. Template Punching

In This Step, we type necessary data in Excel Template that available on "sezonline.in". This Punching Process take place manually. To perform such task a person need patience and typing skill. Many time there are small or a single alphabetical mismatch can create a big problem for uploading file in sezonline.

4. Problem Solving

After performing Template Punching, we find out error and mismatching in excel data and invoice bill. For

Correcting those errors, we required clients helps. Many time there are a typing mistake but in rare occasion we find error like two invoice with same invoice number, expired LUT number.

5. Filling GSTR2B on sezonline

After resolving error, we must submit it to "sezonline.in". We receive a request ID after submitting an excel file on "sezonline.in." You can check the status of the approval process using that ID. It takes at least 4-5 days to complete the approval procedure.

6. Procuring Approval GSTR2B

After few days, we need to check approval status by using request id on sezonline site. If the file was approved, we download that file and rename as request id. In one request id we can file 100 invoices.

7. Reconciliation of Approval GSTR2B

In Excel Template, we need to perform reconciliation for finding which invoice is remaining filling. First, we download all approved request id after that we match with Excel file that contend all invoices and then we perform reconciliation.

8. Sharing Approval data with Client

After reconciliation, we prepare a zip file with content of invoice file, reconciliation file, Approval file and share with client via email. The hole process required 7-8 days but if there was a problem in invoices its became 10-12 days.

4.2 Output generated at the end of each task.

After, Approval Process data download from the sezonline and perform reconciliation on it in excel file. In reconciliation we found out the pending file or error file that need a support file (Support file means if in invoice there are not mention LUT number or any kind of required detailed we send a email to client and obtain from client). Approval file is shared by with client with invoice file and reconciliation file. In DSPF, there are only services invoice files so we need to connect with other departments like DTA how handle Material Invoices for some mismatch/client requirements.

5. Findings

The key findings from this study include:

- **Legal Compliance:** SEZ units must adhere to specific legal frameworks when procuring DTA services. These regulations are complex and often inconsistent.
- **Compliance Mechanism:** Current compliance mechanisms are inadequate, leading to operational inefficiencies and heightened risk.

- **Critical Issues:** SEZ units frequently encounter problems such as incorrect GST rates, incomplete client information, and technical glitches in invoicing systems.
- **GST Exemptions:** Understanding GST exemptions is crucial for streamlining procurement processes in SEZ units.

10. Apsingikar, R. K. (2019). The politics of special economic zones: the case of Polepally in Andhra Pradesh, India (Doctoral dissertation, Deakin University).

6. Recommendations

The study suggests implementing an integrated GST invoicing system that automatically verifies compliance and maintains up-to-date GST rates. This system would reduce human errors and enhance efficiency in the procurement process.

7. CONCLUSIONS

In conclusion, compliance with DTA service procurement regulations in SEZs is vital for the effective functioning of these zones. Given the challenges related to legal compliance, stakeholders should focus on optimizing operational efficiency and adhering to regulatory frameworks by adopting integrated GST invoicing systems.

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