



GOVERNMENT OF KARNATAKA  
(Department of Commercial Taxes)

No.IPI.CR.21/2015-16

Office of the Commissioner of Commercial Taxes,  
(Karnataka), Vanijya Therige Karyalaya,  
Gandhi Nagar, Kalidasa Road,  
Bengaluru-560009. Dated: 04.12.2015.

**COMMISSIONER OF COMMERCIAL TAXES CIRCULAR NO: 17/2015-16**

Sub: Refund of input tax paid on purchase of inputs by a registered dealer who is a co-developer of Special Economic Zone [SEZ] under the provisions of Karnataka Value Added Tax Act, 2003 and Rules.

- Ref :(1) Commissioner of Commercial Taxes Circular No.1/2007-08 Dated 7.4.2007.  
(2) Commissioner of Commercial Taxes Circular No.19/2009-10 Dated 22.2.2010  
(3) Government Order No. CI/114/SPI/2007/ Dated 28.2.2009  
(4) Circular No.DD (ID)/SEZ/MRC/95/2009-10 Dated 26.8.2009  
(5) Letter No.CI 116 SPI 2006 Dated 26.2.2010

Special Economic Zones are established under the provisions of Special Economic Zone Act, 2005((Central Act No. 28 of 2005) with an objective to trigger a large flow of foreign and domestic investment in SEZs leading to generation of additional economic activity and creation of employment opportunities and to promote export of goods and services. It envisages key role for the State Governments in Export Promotion and creation of related infrastructure. In pursuance to the SEZ policy, sub-section (2) of section 20 of Karnataka Value Added Tax Act, 2003 was substituted by Act No, 6 of 2007 by extending the fiscal benefits to a developer of SEZ or an unit located in SEZ. Section 20(2) reads as follow:

Tax paid under this Act on purchase of inputs by a registered dealer who is a developer of any special economic zone or an unit located in any special economic zone established under authorisation by the authorities specified by the Central Government in this behalf, shall be refunded or deducted from the output tax payable by such dealer, subject to such conditions and in the manner as may be prescribed.

**Explanation 1.-** For the purposes of this section, the expression 'special economic zone' has the meaning assigned to it in clause (iii) to Explanation 2 to the proviso to section 3 of the Central Excise Act, 1944(Central Act 1 of 1944).

Circulars were also issued vide reference (1) & (2) explaining the provisions under the Karnataka Value Added Tax Act, 2003 and prescriptions under the Rules and its applicability to a developer of SEZ or an unit located in SEZ. However, the fiscal benefits were not extended to the co-developer of an SEZ.

2. Government of Karnataka has announced a State Policy for Special Economic Zones-2009 vide Government Order under reference (3) to support and encourage development of SEZs in the State. Monitoring Committee under the chairmanship of Chief Secretary, Government of Karnataka has approved operational guidelines for operation of fiscal benefits extended in the State policy of SEZs-2009 and has issued a circular under reference (4) to implement the approved guidelines in tune with Rule 5 (5) of Central SEZ Rules, 2006 and to extend certain fiscal benefits under the State Policy for SEZs-2009 to all SEZ developers, co-developers and units.

3. Guidelines enclosed to the Circular under reference (4) provide a procedure for claiming refund of VAT by the co-developer. Further, vide letter under reference (5), the Commissioner of Industrial Development and Director of Industries and Commerce has clarified that as per section 3(11&12) of Central SEZ Act, 2005, the developer includes co-developer and the fiscal benefits extended for the developer has to be extended to co-developer of SEZ.

4. In this background following instructions are issued:

- (a) A registered dealer under the provisions of Karnataka Value Added Tax Act, 2003 being a co-developer of an SEZ is eligible for refund of tax paid on purchase of inputs (other than petroleum products) from the output tax payable.
- (b) Such co-developer of an SEZ is eligible for refund subject to the production of Certificate issued by the Directorate of Industries & Commerce as provided in Annexure-3 to the Circular under reference(4).
- (c) Co-developer is eligible for refund only if such inputs are purchased for the purpose of setting up, operation or maintenance of the processing area in a SEZ for the authorized operations.

