THE SEZ–GST CONUNDRUM: IMPACT OF STATUTORY CONFLICTS ON SUPPLY CHAIN PRICING

A Doctrinal and Empirical Assessment of Tax Neutrality, Refund Frictions and Supplier Pricing Behaviour

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ABSTRACT

The Special Economic Zone (SEZ) regime was designed to promote exports, investment and internationally competitive production through a relatively insulated fiscal and regulatory environment. The introduction of the Goods and Services Tax (GST) in 2017 altered this architecture by moving SEZ-linked supplies into a zero-rated, refund-dependent framework. Although zero-rating is intended to preserve tax neutrality, the coexistence of the Special Economic Zones Act, 2005 and the GST statutes has generated legal and administrative frictions concerning the status of SEZ transactions, authorised operations, place-of-supply rules, input tax credit and refund procedures. These frictions can convert a formally tax-neutral transaction into one carrying financing, compliance and risk costs. This paper examines whether those costs affect pricing behaviour in SEZ-linked supply chains.

The study adopts a mixed doctrinal and empirical approach. The doctrinal component analyses the SEZ Act, 2005, the Central GST Act, 2017, the Integrated GST Act, 2017, the relevant rules, administrative mechanisms and selected judicial decisions. The empirical component draws on a structured questionnaire administered to 120 respondents involved in SEZ transactions in the Coimbatore Industrial Cluster and the Sriperumbudur–Chennai SEZ Corridor. Percentage analysis and chi-square testing were used to examine regulatory understanding, compliance burden, refund experience, working-capital impact and pricing behaviour.

The analysis indicates that the formal zero-rating objective is weakened by refund delays, documentation requirements, uncertainty surrounding authorised operations, digital and institutional coordination problems and the resulting blockage of working capital. Across the sample, 84 of 120 respondents reported GST refund delays, 82 reported higher compliance burden, 80 reported high working-capital impact, and 72 reported a pricing impact. The paper argues that the principal policy problem is not simply the existence of two statutes, but the absence of effective harmonisation between their underlying fiscal

philosophies and administrative institutions. It recommends legislative clarification, standardised authorised-operation treatment, faster and more transparent refund processing, stronger GSTN–ICEGATE integration, targeted support for small suppliers and coordinated SEZ–GST governance.

Keywords: Special Economic Zones; GST; zero-rating; authorised operations; input tax credit; refund delays; supply chains; pricing behaviour; tax neutrality.

1. INTRODUCTION

Special Economic Zones constitute an important instrument of Indian export and industrial policy. Their fiscal architecture was developed around the objective of creating internationally competitive production environments in which domestic tax burdens and procedural frictions would not undermine export-oriented activity. The SEZ Act, 2005 provides the statutory foundation for this policy and contemplates a distinct legal and administrative framework for SEZ units and developers.

The introduction of GST was intended to replace fragmented indirect taxes with a destination-based value-added tax system characterised by seamless input tax credit and neutrality in export taxation. Supplies to SEZ units were placed within the zero-rated framework under the IGST Act. In principle, this should ensure that taxes do not become embedded in the cost of export-oriented production. In practice, however, zero-rating depends on procedural compliance and, in many cases, the effective and timely operation of the refund mechanism.

The scale of India's SEZ sector underlines the significance of this problem. According to data released by the Ministry of Commerce and Industry, exports from operational SEZs reached USD 157.24 billion in 2022–23 and USD 163.69 billion in 2023–24, accounting for over one-third of India’s total outbound shipments.[1] Any fiscal friction that affects SEZ-linked supply chains therefore has implications not merely for individual suppliers but for the national export architecture as a whole.

[1] ‘Exports from Special Economic Zones Up 4% to US$ 163.69 Billion in 2023–24’ (India Brand Equity Foundation, 12 June 2024) <https://www.ibef.org/news/exports-from-special-economic-zones-up-4-to-us-163-69-billion-in-2023-24> accessed 17 August 2026.

The central research problem arises from this transition. Under the pre-GST framework, SEZ fiscal benefits were substantially structured around exemptions and duty-free procurement. Under GST, tax neutrality is achieved through zero-rating and the movement of input tax credit through refund or LUT mechanisms. The legal objective may remain tax neutrality, but the economic experience can change when credit is blocked for extended periods. The supplier must finance the tax amount during the interval between payment, compliance, verification and refund.

The problem is intensified where the SEZ legal framework and GST administration use different concepts or institutional tests. The concept of authorised operations is particularly significant. The SEZ framework places responsibility for determining authorised operations within the SEZ administrative structure, while GST refund administration may require examination of the same issue. Such overlap can produce additional scrutiny, deficiency memos, refund disputes and uncertainty for suppliers.

This paper therefore treats the SEZ–GST interface as a legal-economic problem. It does not assume that every refund delay is caused by statutory conflict, nor that every pricing change is attributable exclusively to GST. Instead, it examines the transmission mechanism through which statutory ambiguity and administrative friction can generate compliance costs, liquidity constraints and risk premiums that influence supplier pricing.

2. RESEARCH PROBLEM, GAP, OBJECTIVES AND METHODOLOGY

2.1 Research Problem

Although GST formally preserves zero-rating for supplies to SEZs, suppliers may encounter delayed refunds, blocked input tax credit, additional documentation and uncertainty concerning eligibility. These frictions may impose costs that are ultimately incorporated into supply prices. The research problem is therefore whether the legal and administrative interaction between the SEZ Act and GST has undermined effective tax neutrality in SEZ-linked supply chains.

2.2 Research Gap

The dissertation identifies a gap in the existing literature: studies of GST frequently focus on macroeconomic effects, logistics, formalisation or general compliance costs, while SEZ scholarship often concentrates on investment, exports and operational policy. These strands do not adequately connect the doctrinal rules governing zero-rating, authorised operations and refunds with the firm-level pricing response of suppliers. The present study addresses that gap by combining legal analysis with primary survey evidence concerning compliance, refunds, working capital and pricing.

2.3 Objectives

1. To identify the principal statutory conflicts between the SEZ Act and the GST regime relating to zero-rating and authorised operations.
2. To analyse how GST refund delays and input tax credit blockages arise from legal and administrative inconsistencies.

3. To evaluate the impact of GST-related tax frictions on supplier pricing behaviour in SEZ-linked supply chains.
4. To assess variations across SEZ jurisdictions, commodities and supplier categories.
5. To propose legal and administrative reforms to harmonise the SEZ–GST framework and improve pricing efficiency.

2.4 Hypothesis

Statutory and administrative conflicts between the SEZ Act and the GST regime—particularly relating to zero-rating, authorised operations and refund procedures—significantly reduce market pricing efficiency in SEZ-based commodity supply chains.

2.5 Methodology

The study uses a mixed-method design combining doctrinal legal analysis and empirical assessment. The doctrinal component examines statutes, rules, notifications, circulars, judicial interpretations and relevant institutional materials. The empirical component uses primary survey data from 120 respondents involved in SEZ-linked transactions in two Tamil Nadu industrial corridors. A 25-question structured questionnaire examined five dimensions: regulatory understanding, compliance burden, refund efficiency, working-capital impact and pricing behaviour. The dissertation states that the respondents were selected through purposive convenience sampling with regional concentration. Percentage analysis and chi-square tests at the 5% significance level were used in the reported survey analysis.

Coimbatore Industrial Cluster: 60 respondents

Sriperumbudur–Chennai SEZ Corridor: 60 respondents

Total: 120 respondents

The respondents comprised finance managers (40; 33.3%), accounts managers (32; 26.7%), tax consultants (26; 21.7%) and compliance officers (22; 18.3%). This profile places the empirical evidence principally with individuals directly involved in finance and tax-compliance functions.

3. LEGAL ARCHITECTURE OF THE SEZ–GST INTERFACE

3.1 The SEZ Act, 2005

The SEZ Act establishes the legal and institutional architecture of Special Economic Zones. Its objectives include promotion of exports, investment and economic activity through a framework that provides fiscal and procedural facilitation. Section 26 contains the principal exemption architecture, while Section 51 gives the SEZ Act an overriding effect in the event of inconsistency with other laws. The Development Commissioner and

Approval Committee play important roles in determining and administering authorised operations.

3.2 GST and Zero-Rated Supplies

The IGST Act treats supplies to SEZ units and SEZ developers for authorised operations as zero-rated supplies. Zero-rating differs from exemption because the supplier is generally entitled to preserve input tax credit and obtain the corresponding benefit through the refund mechanism or through supply without payment of IGST under the applicable procedure. This design seeks to ensure that tax is not a cost in the export chain.

The conceptual tension is that the SEZ framework and GST framework describe the fiscal position of SEZs differently. The dissertation characterises this as a movement from an exemption-based model toward refund-based zero-rating. The latter is formally neutral but administratively dependent: neutrality can be impaired by the time taken to process the refund, the documents required to establish eligibility and the consequences of a blocked credit balance.

3.3 Principal Areas of Statutory Conflict

- Legal status: the SEZ Act's distinctive territorial conception sits uneasily with GST's treatment of SEZs within the taxable territory while preserving zero-rating.
- Exemption versus zero-rating: Section 26 of the SEZ Act and the GST zero-rating mechanism embody different methods of delivering fiscal neutrality.
- Authorised operations: SEZ authorities determine authorised operations, but GST refund administration may scrutinise the same eligibility question.
- Place of supply: interpretation of GST place-of-supply rules in transactions involving SEZ units can generate uncertainty and inconsistent treatment.
- Input tax credit and anti-profiteering: general GST provisions may create practical tensions when applied to negotiated B2B SEZ supply chains and SEZ development activities.

These conflicts matter because legal uncertainty is itself an economic cost. A supplier cannot price a transaction solely by reference to the nominal GST rate if the supplier must also account for the probability and duration of refund delay, the cost of additional compliance and the possibility of dispute. Thus, a nominally zero-rated transaction can carry an effective tax-related cost.

4. GST REFUND DELAYS, ITC BLOCKAGE AND WORKING CAPITAL

Section 54 of the CGST Act provides the statutory architecture for refunds, while Rules 89 onwards prescribe procedural requirements. For SEZ-linked suppliers, refund eligibility can depend upon documentation and endorsement associated with the SEZ framework. The dissertation identifies a series of institutional bottlenecks: extensive documentation, authorised-operation scrutiny, incomplete GSTN–ICEGATE integration, officer-level discretion in deficiency memos, institutional capacity constraints and multi-stage verification.

Refund delay has a direct liquidity consequence. When input tax credit remains blocked, the supplier cannot use that liquidity for inventory, wages, production, debt service or new contracts. If the supplier borrows to bridge the gap, the interest cost becomes an additional transaction cost. If the supplier does not borrow, production or procurement may have to be reduced. Either response can affect the supplier's ability to quote prices competitively.

The dissertation therefore treats blocked ITC as an implicit economic burden. The cost is not necessarily visible as a tax charged on the final invoice; instead, it appears through financing costs, delayed investment, administrative expenditure and risk-adjusted pricing. The burden can be particularly serious for SMEs because their liquidity buffers and access to formal credit are more limited.

The magnitude of this burden is documented in primary research from comparable industrial contexts. A study examining manufacturing SMEs in Bengaluru’s industrial clusters found that blocked ITC accounted for an average of 21.4 per cent of total current assets among sampled enterprises, extending the cash conversion cycle by approximately 38 days.[1] Micro-enterprises experienced even higher blockage ratios of 25.8 per cent, and ITC delays significantly increased reliance on informal finance by 3.44 percentage points per month of delay, while reducing capital expenditure by 0.41 percentage points per month of delay.

[1] ‘Working Capital Pressures and Input Tax Credit Delays Under GST: Evidence from Small and Medium Enterprises in Bengaluru’s Industrial Clusters’ (2026) International Journal of Economic Practices and Theories <https://ijapt.org/index.php/journal/article/view/340> accessed 17 August 2026.

4.1 Administrative Drivers of Refund Delay

- Documentation and reconciliation requirements can create repeated opportunities for deficiency memos.
- Authorised-operation certification creates a cross-regulatory dependency between SEZ administration and GST refund processing.
- GSTN–ICEGATE integration and data-matching issues can require manual intervention.
- Officer-level discretion and differing field practices can produce jurisdictional variation.

- Institutional capacity constraints can become more acute when refund volumes increase during periods of high export activity.

The GSTN–ICEGATE data-matching problem has attracted judicial attention. Courts have intervened where refund claims were rejected solely because of technical discrepancies between data filed on the GST portal and data recorded in ICEGATE, rather than any failure on the part of the exporter.[1] Such judicial intervention confirms that the integration gap is not merely a compliance inconvenience but a structural deficiency that places a legitimate financial burden on suppliers regardless of whether they have met their substantive obligations.

[1] 'GST–ICEGATE Mismatches: Causes, Rulings and Solutions' (Tax Guru, 21 August 2025) <https://taxguru.in/goods-and-service-tax/gst-icegate-mismatches-causes-rulings-solutions.html> accessed 17 August 2026.

The dissertation estimates that the combined financing and compliance burden creates a substantial annual economic drag on SEZ-linked supply ecosystems. It also notes that the distribution is uneven: capital-intensive sectors may bear large absolute amounts of blocked credit, while labour-intensive sectors may experience a larger welfare impact through the number of smaller suppliers affected.

5. GST FRICTIONS AND PRICING BEHAVIOUR

The central economic proposition of the study is that tax administration can influence price formation even when the statutory tax rate is zero. Three transmission channels are identified. First, the financing-cost channel arises when suppliers finance blocked ITC or delayed refunds and incorporate that cost into quotations. Second, the working-capital channel operates when liquidity constraints reduce production scale, delay procurement or increase average operating costs. Third, the risk-premium channel arises when regulatory uncertainty causes suppliers to price the probability of future disputes or administrative delay.

Survey-based evidence from India's MSME sector corroborates the practical significance of refund delays as a liquidity constraint. A national survey of MSMEs conducted by Deloitte India in June 2026 found that nearly 89 per cent of respondents supported automatic payment of interest on delayed GST refunds, indicating widespread recognition that delayed processing imposes a real financial cost that the statutory regime does not adequately compensate.[1] This sentiment aligns with the transmission mechanism proposed in this study: when administrative delay converts a nominally zero-cost transaction into one carrying a financing burden, suppliers must either absorb the cost or pass it into prices.

[1] *Deloitte India, 'MSMEs Back GST Reforms, Call for Faster Refunds and Better Working Capital Support: Deloitte India GST@9 Survey' (27 June 2026) <https://www.deloitte.com/in/en/about/press-room/msmes-back-gst-reforms-call-for-faster-refunds-and-better-working-capital-support-deloitte-India-gst-9-survey.html> accessed 17 August 2026.*

These channels mean that a supplier may respond to GST frictions through an upward price adjustment, renegotiation of payment terms, diversification away from SEZ customers, reduction of service scope or withdrawal from particular SEZ relationships. Such responses can have second-order consequences. When suppliers raise prices, the SEZ buyer may face higher input costs; when suppliers exit, the supply base becomes less competitive; and when firms diversify away from SEZ transactions, the depth of export-linked domestic supply chains can weaken.

The effect is distributional. Larger suppliers may absorb temporary financing costs because they have stronger compliance teams and better access to credit. Smaller suppliers may have to pass costs into prices immediately or leave the SEZ supply relationship. Consequently, a uniform tax rule can produce unequal economic effects because firms possess different capacities to manage the administrative burden.

6. EMPIRICAL FINDINGS

The survey evidence provides a practical account of how suppliers experience the GST–SEZ framework. The questionnaire was organised around regulatory understanding, compliance burden, refund processing, working capital and price efficiency. The principal descriptive results are summarised below.

Higher regulatory understanding — Higher understanding: 70 respondents (58.3%)

Compliance burden — Higher burden: 82 respondents (68.3%)

Refund experience — Experienced delays: 84 respondents (70.0%)

Working capital — High impact: 80 respondents (66.7%)

Pricing behaviour — Price impact: 72 respondents (60.0%)

The survey shows that refund delay is widespread within the sample: 84 of 120 respondents reported experiencing delays. Manufacturing suppliers recorded 38 delay responses, service providers 25 and logistics suppliers 21. The observed pattern therefore shows a higher incidence among manufacturing respondents, although the dissertation's chi-square calculation for refund efficiency ($\chi^2 = 2.557$, with a tabular value of 5.991 at the stated 5% level) reports that the difference between supplier categories is not statistically significant.

Compliance burden was also substantial. Eighty-two respondents reported higher burden, compared with 38 reporting lower burden. The reported chi-square value for compliance burden was 0.703 against a tabular value of 5.991, leading the dissertation to conclude that the observed difference across manufacturing, service and logistics suppliers was not statistically significant.

Working-capital effects were reported by 80 respondents at the high-impact level. Manufacturing suppliers accounted for 34 such responses, service providers 24 and logistics suppliers 22. The reported chi-square value was 0.83, below the stated critical value of 5.991, and the dissertation therefore concluded that supplier category was not significantly associated with the level of working capital impact.

Pricing behaviour presents the most direct evidence of the economic mechanism examined in this paper. Seventy-two respondents reported a price impact, while 48 reported no impact. Manufacturing suppliers recorded 30 price-impact responses, service providers 22 and logistics suppliers 20. The dissertation reports $\chi^2 = 0.83$ for this comparison and concludes that the difference by supplier category was not statistically significant. The appropriate interpretation is therefore that pricing effects were reported across all three categories rather than being confined to a particular supplier type.

These results should be distinguished from the broader doctrinal conclusion that GST frictions can affect pricing. The survey demonstrates that a majority of respondents reported price impact, but the category-level chi-square tests reported in Chapter 5 do not establish that supplier category itself is the statistically significant determinant of that impact. This distinction is important for a publication-quality interpretation of the evidence.

7. COMPARATIVE ASSESSMENT

The comparative analysis in the dissertation examines variation across the Coimbatore Industrial Cluster and the Sriperumbudur–Chennai SEZ Corridor, across commodity and service categories, and across enterprise sizes. The comparison indicates that the economic effect of GST frictions depends on the interaction between administrative environment, transaction complexity and supplier capacity.

7.1 Regional Variation

Coimbatore is characterised in the study by engineering components, textile machinery, pumps and related manufacturing networks. Sriperumbudur–Chennai is described as having significant electronics and manufacturing activity. Differences in industrial composition and administrative environments can therefore influence the type of documentation required, the complexity of authorised-operation questions and the consequences of delay.

The Sriperumbudur corridor has developed as a dedicated centre for the manufacture of information technology hardware, electronics, and telecom equipment, with major multinational original equipment manufacturers operating SEZ-linked facilities within this belt.[1] The sector composition of the corridor means that authorised-operation questions in this location are more likely to involve high-value and technically specialised transactions, increasing the potential compliance burden and the consequences of refund delay.

[1] *'Sriperumbudur: India's High-Value Manufacturing and FDI Corridor' (India Briefing, 12 March 2026) <https://www.india-briefing.com/news/sriperumbudur-industrial-corridor-investment-guide-42723.html/> accessed 17 August 2026.*

7.2 Commodity and Service Variation

Manufacturing suppliers experience substantial compliance and liquidity pressure, particularly where technical documentation and high transaction values increase the consequences of delay. Service suppliers face a distinctive problem because authorised operations can be more difficult to establish for intangible services. The dissertation reports that 71% of service providers experienced no successful refund within the statutory sixty-day period, compared with 48% of manufacturing suppliers. Logistics suppliers face low-margin and working-capital-sensitive operations, making financing delays proportionately significant.

Pharmaceutical and chemical suppliers face additional regulatory complexity and high-value transactions, so disputed refunds can produce substantial liquidity blockage. Agricultural and food-processing suppliers are exposed to seasonal procurement cycles and classification issues, making the timing of refunds particularly important. These sectoral observations support the argument that tax-administration reform should recognise the heterogeneous structure of SEZ supply chains.

7.3 Supplier Size

Large enterprises generally possess stronger compliance infrastructure, specialist tax personnel and greater access to formal finance. Medium enterprises show greater variability in outcomes. Small and micro enterprises are the most vulnerable because short-term credit blockage can create immediate liquidity stress and their access to formal financing is more limited. The dissertation also identifies emerging technology-oriented suppliers as a vulnerable group where novel services or products do not fit easily within established authorised-operation classifications.

This vulnerability is supported by evidence from industrial cluster research. A study of manufacturing SMEs in comparable Indian clusters found that micro-enterprises experienced blocked ITC ratios of 25.8 per cent of total current assets, compared with an average of 21.4 per cent across the broader sample, and that financing gaps created by

ITC blockage were disproportionately filled through informal and higher-cost borrowing.[1] The distributional implication is that the administrative burden of zero-rated refund processing falls most heavily on precisely the category of supplier that is least able to absorb it.

[1] *'Working Capital Pressures and Input Tax Credit Delays Under GST: Evidence from Small and Medium Enterprises in Bengaluru's Industrial Clusters' (2026) International Journal of Economic Practices and Theories <https://ijapt.org/index.php/journal/article/view/340> accessed 17 August 2026.*

8. LEGAL AND POLICY IMPLICATIONS

The study has a broader implication for the concept of export tax neutrality. Formal zero-rating is necessary but not sufficient for effective neutrality. If the refund mechanism is slow, uncertain or costly to access, the tax may cease to be neutral in economic substance. Effective neutrality therefore depends on legal clarity, administrative timeliness, digital infrastructure and institutional accountability.

The problem is also institutional. SEZ policy and GST administration involve different governmental structures and functions. The dissertation identifies coordination between the Ministry of Commerce and the Ministry of Finance, together with the GST Council, CBIC and Development Commissioner framework, as essential to resolving overlapping responsibilities. The SEZ–GST problem is thus partly a coordination problem rather than merely a drafting problem.

9. REFORM AGENDA

9.1 Legislative Harmonisation

- Clarify the relationship between Section 26 and the GST zero-rating framework so that the method of achieving fiscal neutrality is legally coherent.
- Provide authoritative statutory guidance on the treatment of authorised operations and prevent duplicative eligibility scrutiny by different authorities.
- Clarify place-of-supply rules and other provisions that generate recurring disputes for SEZ-linked transactions.
- Review overlapping GST provisions that are poorly suited to negotiated B2B SEZ supply chains.

9.2 Refund and Administrative Reform

- Establish national performance benchmarks for SEZ refund processing, including escalation when cases exceed defined timelines.

- Standardise deficiency-memo practices and require clear, consolidated reasons for deficiencies.
- Develop a single-window or coordinated verification mechanism linking GST and SEZ authorities.
- Publish jurisdiction-wise refund processing data to create transparency and administrative accountability.

9.3 Digital Infrastructure

- Complete and strengthen GSTN–ICEGATE–SEZ portal interoperability.
- Automate data reconciliation to reduce repetitive manual verification.
- Provide claim-status dashboards so suppliers can identify the precise stage and reason for delay.
- Maintain human review and accessible offline support for complex or disputed claims.

9.4 Targeted Support

- Consider simplified compliance and expedited refund channels for small SEZ suppliers subject to appropriate safeguards.
- Develop clearer and regularly updated guidance on services qualifying as authorised operations.
- Provide specialised assistance for SMEs and first-time SEZ suppliers.
- Use periodic stakeholder consultation involving SEZ units, suppliers, tax professionals, industry associations and tax administrators.

9.5 Monitoring and Evaluation

Reform should be measured through process, output and outcome indicators. Useful indicators include average refund processing time, the proportion of claims settled within statutory timelines, rejection and deficiency rates, the value of pending refunds, supplier compliance burden, pricing adjustments attributed to GST costs and supplier attrition from SEZ relationships. Periodic surveys can provide longitudinal evidence of whether reforms reduce the gap between formal and effective tax neutrality.

10. LIMITATIONS AND FUTURE RESEARCH

The empirical findings are geographically concentrated in Tamil Nadu, specifically the Coimbatore Industrial Cluster and the Sriperumbudur–Chennai SEZ Corridor. They should therefore not automatically be generalised to every SEZ jurisdiction in India. The survey is also based primarily on self-reported responses, which may be affected by recall, perception and measurement bias.

The cross-sectional design limits causal inference. A stronger future research design would combine administrative GST refund data, invoice-level transaction data and financial statements with longitudinal supplier pricing information. Such data could permit more rigorous analysis of the relationship between refund duration, working-capital costs and price changes before and after specific regulatory reforms.

Future research should also compare major SEZ jurisdictions across India, examine supplier attrition and market exit, evaluate international SEZ tax-administration models and measure whether supplier-level GST frictions ultimately translate into changes in the export prices and market shares of SEZ units.

11. CONCLUSION

The SEZ–GST conundrum illustrates the difference between formal tax neutrality and neutrality in economic substance. The GST regime preserves zero-rating for SEZ-linked supplies, but the effectiveness of that design depends on the speed, predictability and administrative simplicity of the refund system. Where credit is blocked, suppliers incur financing and compliance costs that may be incorporated into prices or may induce changes in commercial relationships.

The doctrinal analysis identifies four principal areas of tension: the differing conceptual treatment of SEZs under the two legal regimes; the movement from exemption toward refund-based zero-rating; overlap concerning authorised operations; and interpretational uncertainty in the application of GST rules to SEZ transactions. These legal tensions can produce administrative consequences, including documentation burdens, deficiency memos, inconsistent field practices and refund delays.

The empirical evidence reinforces the practical significance of these issues. In the sample of 120 respondents, 70% reported refund delays, 68.3% higher compliance burden, 66.7% high working-capital impact and 60% pricing impact. The category-level chi-square results reported in the dissertation generally do not establish statistically significant differences between manufacturing, service and logistics suppliers, but the descriptive evidence shows that GST-related frictions are experienced across the supply chain.

The most important conclusion is therefore not that GST uniformly raises prices by a particular amount, but that administrative friction creates a non-neutral environment in which suppliers must manage financing, compliance and regulatory risk. This is particularly consequential for small and micro enterprises and for sectors in which transaction values, documentation or authorised-operation classification are complex.

A durable solution requires harmonisation rather than isolated procedural adjustment. Legislative clarity, coordinated administration, standardised authorised-operation treatment, efficient refund processing, digital integration and targeted assistance for vulnerable suppliers can reduce the effective cost of zero-rated transactions. Restoring effective tax neutrality would strengthen the competitiveness of SEZ-linked supply chains and align the GST system more closely with the export-oriented objectives of the SEZ policy.

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[Editorial note: A Special Economic Zones (Amendment) Act 2023 does not appear to have been enacted by Parliament. The government considered amendments to the SEZ Act and proposed the Development of Enterprises and Service Hubs (DESH) Bill in 2022, but neither legislation was passed. The most recent enacted amendment to the SEZ Act was in 2019. This reference should be verified and, if no such Act was passed, removed or replaced with a reference to the proposed DESH Bill (2022) or the discussions concerning the proposed SEZ Amendment Bill (2023). See: 'Govt Could Discard Proposed DESH Bill, Amend SEZ Act: Details Here' (Business Standard, 6 November 2023) <https://www.business-standard.com/economy/news/govt-could-discard-proposed-desh-bill-amend-sez-act-details-here-123110600280_1.html> accessed 17 August 2026.]

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