

Manufacturing And Other Operations In Warehouse Regulations, 2019

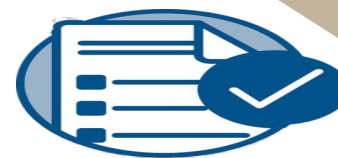
Presented by: BT Associates



Advisory



Litigation



Compliance

Brief Introduction :-

- This Scheme was introduced in June,2019 and later amended in October,2019.
- This Scheme is for manufacturer who want to carry out manufacturing operations in a bonded warehouse subject to specified conditions.
- The said scheme has been given a fresh impetus by liberalizing certain key compliance requirements in the revised MOOWR, 2019, notified on 1 October,2019

Eligibility & Procedure to claim Licence under MOOWR Scheme, 2019:-

As per this scheme following person would be eligible to apply for this scheme:

- A person who has been granted a license under section 58 of the Act in accordance to private warehouse Licensing regulations, 2016
- A person who applies for a license for a warehouse under section 58 of the Act, along with permission for undertaking manufacturing or other operations in the warehouse under 65 of the Act.

The Person mentioned above have to be a citizen of India or an entity incorporated or registered in India.

Salient features of MOOWR, 2019 :-

- **Deferred Duty on Import of Raw Material and Capital Goods:** In case of import of raw material, until the clearance of finished goods, duty on import of raw material used in manufacturing or other operations is deferred. It will be waived in case finished goods are exported. Further, in case of capital goods, until the clearance from a bonded facility, duty on capital goods used in manufacturing or other operations, is deferred, and can be avoided if they are exported. Hence, it improves the liquidity with deferment of import duty and no interest liability will be there.
- **Uniformity of Practice and unrestricted procurement:** A single application cum approval form will be available for uniformity of practice with a single point of approval to set up the operation of such unit. Further, it allows the procurement of GST compliant goods from the domestic market for use in manufacture and other operation in a section 65 unit.
- **Seamless transfer between Warehouses:** A licensee shall transfer warehoused goods from one bonded facility to another without payment of duty. The liability to pay deferred duty is also transferred to the owner of the new facility with the transfer of goods.
- **No Export Obligation:** An entity may sell 100% of the goods manufactured in the bonded warehouse into the domestic market. This scheme is different from the other export promotional schemes from the perspective of fulfilling pre-determined export obligations. Therefore, units under MOOWR are not bound to fulfil export obligations unlike EOUs, Advance Authorization etc.

Salient features of MOOWR, 2019 :-

- **Appointment of warehouse keeper:** The responsibility of the proper officer to oversee the operations of a warehouse, has been shifted to a self-appointed warehouse keeper.
- **Warehousing Facility:** Unlimited warehousing period for storage of capital or non-capital goods until clearance for home consumption without any interest liability. This enables efficient capacity utilization, as there is no limit on quantum of clearances that can be exported or cleared to the domestic market. Further, A new manufacturing facility can be set up, or the existing unit can be converted into a bonded warehouse, irrespective of its location in India.
- **Delegation of power to Officers:** The Principal Commissioner of Customs or the Commissioner of Customs acts as a single point of contact for all approvals.
- **No restriction on geographical location:** Unlike SEZ and other schemes where geographical restrictions continue, the warehouse under this scheme can be set up at any location. In fact, the existing facility can also be registered under MOOWR.

Procedures:

Procedure for Application of License and grant of permission:-

An application is required to be submitted to the jurisdictional Principal Commissioner of Customs to grant the permission u/s 65, in prescribed form as per the **Circular*** named as Annexure A (which consist Part I and Part II) along with the following documentation:

- A declaration as per regulation 5 of PWL Regulation, 2016 and an undertaking as per regulation 4 of MOOWR, 2019 to be made in **Part II** as mentioned above. Further, the applicant also needs to inform the input-output norms, whenever considered necessary for raw materials and the final products and also needs to inform the revised input-output norms in case of changes therein, in **Part II** of the application form;
- A form named as Annexure B prescribed in the **Circular*** needs to filled, to maintain accounts of receipt and removal of goods in digital form and furnish the same digitally to the bond officer on monthly basis;
- Triplicate copy of duty bond needs to be executed by the owner of the warehoused goods. The format of the bond is prescribed in the **Circular*** named as Annexure C which serves the requirement of both MOOWR, 2019 and Section 59 of the Customs Act, 1962.

Procedures:

Procedure for Application to get the License - Cont.. :-

- In the course of manufacturing activity of the resultant product if any waste is generated , the same can also be cleared for home consumption.
- When waste generated are cleared for home consumption, then on those quantity applicable duty i.e. Custom & GST is charged.
- Further, applicable interest is liable to be paid under Section 61(2), when goods remains in the warehouse for more than prescribed days.
- Warehouse operating u/s 65 can also functions as private warehouse licensed u/s 58.
- Licensee is required to submit monthly return in prescribed format named as **Form B**.

Procedures for renewal of license:

The license and permission granted is valid unless it is cancelled or surrendered, or the license issued under section 58 is cancelled or surrendered. Thus no renewal of License under section 58 or permission under section 65 is required.

Procedures:

Procedures for re-entry of Manufactured goods by the customers :

- Once the goods are cleared for the warehouse, they will no longer be treated as warehoused goods.
- If in case the goods cleared from the warehouse are returned by the customer for repair, they will be treated as DTA receipts.
- After repair when same is cleared from the warehouse, it will be entered in the prescribed accounting form.
- Further, when goods were exported and subsequently rejected or returned for repair, it will be treated as re-import and have to be entered as import receipt in the accounting form.

Procedures for Surrender of license:

- The Licensee under private warehouse, if wants to surrender the licence, first he has to request in writing to Principal commissioner of Customs.
- On receipts of such request, the licence will be cancelled subject to payment of all the dues.



Thank You