

Government issues clarification on Manufacturing and Other Operations in Warehouse Regulations, 2019

The customs law provides that the owner of any warehoused goods may carry on any manufacturing process or other operations, in relation to such goods, in the warehouse. In this regard, the government had issued the **Manufacturing and Other Operations in Warehouse Regulations, 2019 (MOOWR)** prescribing the procedure, documentation and compliances to be followed by the owner of warehoused goods who carries on such process or operation in the warehouse.

The government has been receiving several representations and recommendations from the trade and industry with respect to certain practical challenges being faced due to the MOOWR. In order to address the challenges, the government has now issued certain clarifications.

Goods sent on job work from customs bonded warehouse

It has been clarified that only 'inputs' are allowed to be sent out for job work. Capital goods can be sent on job work for repair, with the permission of the bond officer. Further, the job work shall be subject to the following conditions:

- Imported goods should be first deposited and duly accounted for in the customs bonded warehouse before sending for job work. Further, the goods sent on job work should be identifiable/correlated after sending on job work.
- After completion of job work, the goods can be brought back to customs bonded warehouse or exported/cleared to Domestic Tariff Area (DTA) from the job worker's premises. In case of clearance from job worker's premises, the date of removal from job worker's premise shall be deemed to be the date of removal from the warehouse.
- Scrap, waste or remnants generated during the job work shall be either returned to the customs bonded warehouse or cleared from job worker's premises on payment of applicable duties.
- The procedure and timeline for return of goods sent on job work will be in line with the GST provisions.
- In such cases, bond executed by the customs bonded warehouse stays in full force notwithstanding the removal of goods for job work.
- In case of violation of any provisions, the goods shall be deemed to be cleared for home consumption on the date of clearance of the goods for job work and the applicable duties, interest and penalties shall be computed accordingly.

The government has also decided to allow moulds, jigs, tools, fixtures, tackles, instruments, hangers, patterns and drawings to be sent to job worker's premises for use in job work subject to due accounting of such goods by the customs bonded warehouse.

Job work done at the customs bonded warehouse unit

- It has been clarified that a customs bonded warehouse unit, being a GST registered unit, can perform job work operations and shall maintain due accounting of such job work as per the GST law.
- In case any imported warehoused goods are consumed during the job work process, duty shall be paid on such goods by filing ex-bond bill of entry when such goods are returned to the principal/owner.
- In case the goods are exported after job work from the customs bonded warehouse, the import duty on the warehoused goods used for job work is not required to be paid.

Procurement of goods from Free Trade and Warehousing Zones (FTWZ)

It has been clarified that there are no restrictions on sourcing goods by a customs bonded warehouse unit. Accordingly, such units may source capital goods or inputs from a Special Economic Zone or a FTWZ following the applicable procedures.

Our comments

The introduction of the MOOWR has been a welcome and much appreciated move by the government. It has helped to streamline the manufacturing and other operations within a customs bonded warehouse. The government's move to address the challenges faced by the trade and industry has been appreciated at large.

While it has made honest efforts to address most issues, one challenge that still needs to be taken care of is to allow the units to compute and pay duty on the depreciated value of capital goods (cleared from the warehouse), which were used in the manufacturing operations.

We hope the government will consider the above challenge as well to ensure seamless implementation of the scheme to achieve its full potential.

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