



आयुक्त सीमाशुल्क का कार्यालय (आयात)
OFFICE OF THE COMMISSIONER OF CUSTOMS (IMPORT),
नवीन सीमाशुल्क भवन, बेलार्ड इस्टेट मुंबई-४००००१
NEW CUSTOM HOUSE, BALLARD ESTATE, MUMBAI 400 001

F. No. S/6-Gen-278/2019-20 Bond

Date :23.05.2019

PUBLIC NOTICE NO. 43/2019

Sub : Provisions of Section 65 of the Customs Act, 1962 for
Manufacturing or other operations undertaken in Customs
Bonded Warehouses – reg.

Attention of Importers, Exporters, Private Bonded Warehouse licence holders u/s 58 of the Customs Act, 1962, bonders and all concerned are invited to Board's Circular No.38/2018 – Customs dated 18.10.2018 providing for procedure to be followed in cases of manufacturing and other operations undertaken in bonded warehouses under section 65 of the Customs Act, 1962.

1. Section 65 read with Manufacture and other operations in warehouse Regulation 1966 (hereinafter referred to as MOOWR – 1966) provide for an application seeking permission under section 65 and also for the condition of the Bond to be executed by the licensee, maintenance of the accounts, conduct of special audit and cancellation / suspension permission etc.
2. It is to be noted that an applicant desirous of manufacturing or carrying out other operations in the bonded warehouse under section 65 read with (MOOWR, 1966) must also have premises licensed as private bonded warehouse under section 58 of the Customs act, 1962. As a part of ease of doing business and in order to avoid duplication in the process of approvals, the circular No.38/2018 dtd.18.10.2018 prescribe a single application form in Annexure 'A' for seeking grant of licence as private bonded warehouse as well as for permission to carry out manufacturing and other operations. Under the said circular the warehouse licenced under

section 65 has to be declared by the licensee as the principle / additional place of business for purpose of GST.

3. Post the Finance Act, 2016 effecting amendments to Chapter IX of the Customs Act, 1962, the Warehouse (Custody and Handling of Goods) Regulations, 2016 were notified on 14th May 2016 and circular No.25/2016-Cus dt. 8th June 2016 was issued, which collectively enjoins that licensees shall maintain accounts of receipt and removal in prescribed formats in digital form and furnish the same to the bond officer on monthly basis digitally. Therefore, a licensee carrying out manufacturing or other operations in a bonded warehouse under section 65 becomes obligated to maintain accounts as per MOOWR, 1966 and at the same time also maintain records as private bonded warehouse. For the ease of doing business, it has been decided that a licensee operating under section 65, shall not be required to maintain two sets of records. Henceforth, the licensees manufacturing or carrying out other operations in a bonded warehouse shall be required to maintain records as per the form prescribed under the said Circular (Annexure B), which combines data elements required under MOOWR, 1966 and Warehouse (Custody and Handling of Goods) Regulations, 2016 Sub-section 59 of the Customs Act requires the owner of the warehoused goods to execute a triple duty bond for the warehoused goods. Such bond shall be executed in the form prescribed under the said Circular as per Annexure C.

4. To the extent that the resultant product manufactured or worked upon in a bonded warehouse is exported, the licensee shall have to file a shipping bill and follow the procedure prescribed under the Warehoused Goods (Removal) Regulations 2016 for transport of goods from the warehouse to the customs station of export. A GST invoice shall also be issued for such removal. In such a case, no duty is required to be paid in respect of the imported goods contained in the resultant product as per the provisions of section 69 of the Customs Act.

5. To the extent that the resultant product whether emerging out of manufacturing or other operations in the warehouse is cleared for domestic consumption, such a transaction squarely falls within the ambit of "supply"

under Section 7 of the Central Goods and Service Tax (hereinafter referred to as the, “CGST Act”). It would therefore be taxable in terms of section 9 of the CGST Act, 2017 or section 5 of the Integrated Goods and Services Tax Act, 2017 depending upon the supply being intra-state or inter-state. The resultant product will thus be supplied from the warehouse under the cover of GST invoice on the payment of appropriate GST and compensation cess, if any. As regards import duties payable on the imported goods contained in so much of the resultant products are concerned, same shall be paid at the time of supply of the resultant product from the warehouse for which the licensee shall have to file an ex-bond Bill of entry and such transactions shall be duly reflected in the accounts prescribed under Annexure B.

6. For waste or refuse arising out of manufacture and other operations in relation to the resultant products cleared for home consumption, import duty on the quantity of the warehoused goods contained in such waste or refuse shall be paid as per clause (b) to sub-section (2) of section 65.

7. For waste or refuse arising out of manufacture and other operations in relation to the resultant products cleared for export, where import duty on the waste or refuse is paid as per proviso to clause (a) to sub-section (2) of section 65, the same shall be deposited manually through a Challan. The records maintained as per Annexure-B would be sufficient for accountal of such goods.

8. It may be noted that units operating under section 65 read with section 58 of the Customs Act, are entitled to import capital goods, machinery, inputs etc. by following the provisions under Chapter IX. In so far as domestic procurement is concerned, applicable rates of taxes shall be payable and exemptions, if any, can also be availed. By virtue of simply being a unit operating under section 65, they shall not be entitled to procure goods domestically, without payment of taxes. The records in respect of such domestically procured goods shall be indicated in the form for accounts (Annexure-B)

9. Further, since the warehouse operating under section 65 also functions as a warehouse licensed under section 58, the licensees can

import goods and clear them as such, under section 68 or section 69 of the Act, on payment of applicable duty, fine and penalty, if any, along with interest as per sub-section(2) of section 61 of the Act. The Licensees shall also be required to maintain to submit monthly returns in "Form B" as prescribed under Circular no. 25/2016- Cus dated 8th June 2016 for such purposes.

Annexure Enclosed :

1. Annexure A : Application for License for a private bonded warehouse under section 58 and permission for manufacturing and other operations under section 65 of the Customs Act, 1062.
2. Annexure B : Form to be maintained by a unit operating under section 65 of the Customs Act for the receipt, processing and removal of goods.
3. Annexure C : General Bond.
4. FORM B – under Circular No.25/2016-Cus dtd. 08.06.2016.

Sd/-

(जाग्रती सैन नेगी)

आयुक्त सीमाशुल्क (आयात -II)

मुंबई आंचल-I.

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