

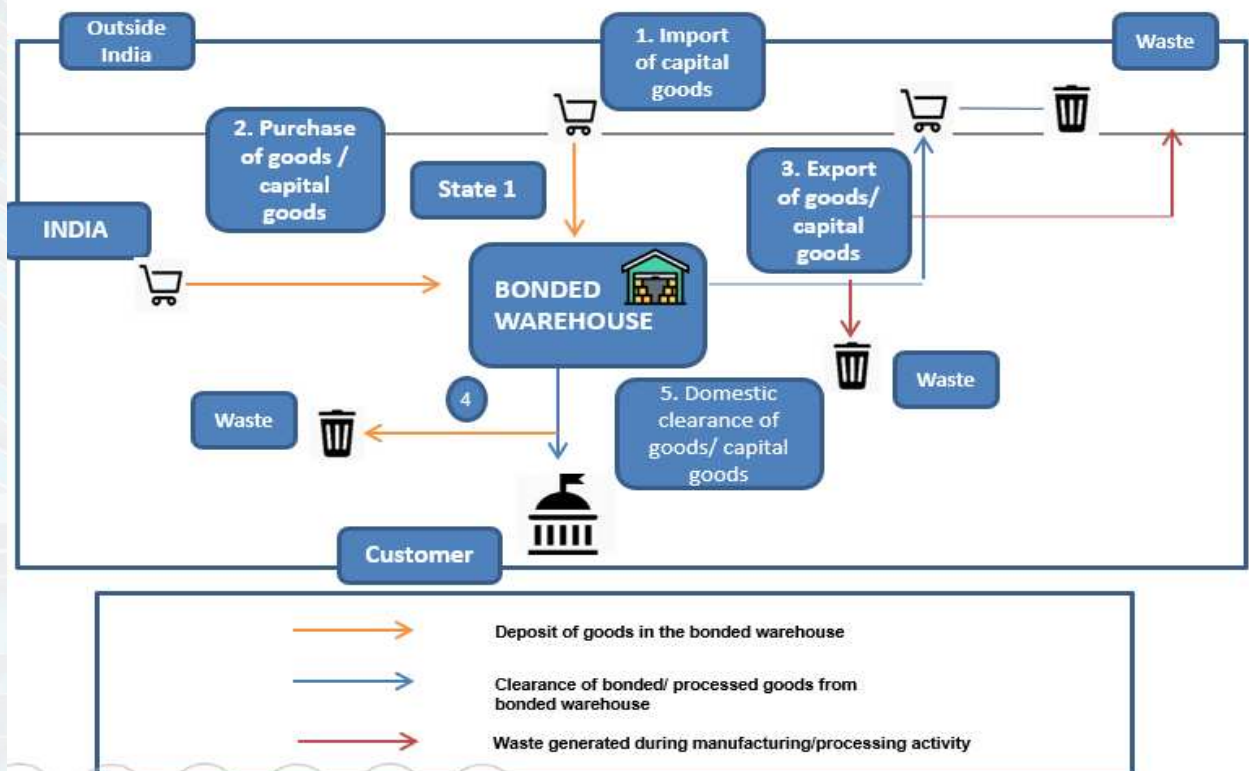
DA TAX UPDATE INDIRECT TAX

An E-Tax update from
Darda Advisors LLP
CONCEPT OF MOOWR



Manufacturing and Other Operations in a Customs Bonded Warehouse

Manufacturing and Other Operations in a Customs Bonded Warehouse (MOOWR) is a secured and customs licensed area/structure where the imported inputs, consumables, or capital goods are stored which can be used for manufacturing and further supply in indigenous and international market where the customs duty on such import is deferred.



MOOWR – Type of duties

S.no	Transactions	Customs Duty	GST
1	Import of goods	-	-
2	Local Purchase of goods	-	✓
3.	Export of Bonded Goods	-	-**
A	<i>Waste is destroyed/exported</i>	-	-
B	<i>Waste is sold/cleared into domestic market</i>	✓	✓
4.	Domestic sale/clearance of bonded goods:	✓	✓
A	<i>Waste generated is destroyed</i>	✓	✓
B	<i>Waste is sold/cleared into domestic market</i>	✓	✓
5.	Clearance of capital goods:		
A	<i>Re-export</i>	-	-
B	<i>Cleared into domestic market***</i>	✓	✓

** Refund of input taxes or IGST payable on export can be availed

*** Customs duty to be paid on the assessable value declared at the time of import

Key Reasons to consider MOOWR

- ❑ Duty on imported **Capital goods** used in manufacturing or other operations is deferred or not leviable until the clearance from the bonded facility (domestic or re-export)
- ❑ Duty on imported **raw materials** used in manufacturing or other operations is deferred until clearance of finished goods.
- ❑ Positive impact on **working capital**
- ❑ **Deferred duty is waived** in case finished goods are exported
- ❑ Goods can be **transferred** from bonded facility to another facility without payment of duty
- ❑ An entity may manufacture in bonded facility and sell its 100% to domestic market as there is no limit on the clearance of finished goods for the domestic market
- ❑ No requirement for **renewal/ extension** of license and no pre-import condition

Key Reasons to consider MOOWR

- ❑ No **SION** fixation required
- ❑ No mandate to earn a **positive NFE** unlike EOU and SEZ schemes
- ❑ No **value-addition** or export obligation to be fulfilled unlike Advance Authorization and EPCG schemes
- ❑ No requirement for **endorsement of the license** number on the shipping bill at the time of export and other compliances related to redemption of license
- ❑ No limit on **storage time**
- ❑ No application fee nor any incremental **compliance cost** other than setting up and maintenance of bonded warehouse
- ❑ **Existing business** premises can also be converted into bonded warehouses except in specific circumstances

Change Proposed for MOOWR scheme [Yet to be Notified]:

The Finance Act, 2023 inserted a new Section 65A under the Customs Act, 1961 which is yet to be notified which imposes IGST and GST Compensation Cess on the goods, that are moved to the warehouse for the purpose of carrying on any manufacturing process or other operations in the warehouse, at the time of removal of goods to such warehouse, instead of imposing it at the time of clearance of home consumption from the warehouse.



MOOWR SCHEME – SECTION 65A [Yet to be Notified]:

- ❑ Filing ex-bond BE at the time of deposit of goods into bonded warehouse
- ❑ Deposit IGST + Compensation Cess at the time of ex-bond BE and defer BCD + SWS
- ❑ In case of bond-to-bond transfer, ex-bond BE to be filed along with payment of IGST + Cess
- ❑ New scheme won't apply on goods for which In-bond BE is already filed before amendment
- ❑ Goods shall be treated as 'warehoused goods' only for the purpose of duty payment

Who should look for MOOWR

**Dependence
on Raw
materials**

Where the manufacturer is heavily dependent on the imported raw material

**No
commitment to
export focused
zones**

Where a manufacturer is unsure of the export market and does not want to commit the export focused zones such as EOU's and SEZ

**Optimal
Utilization**

Where a manufacturer wants to tap both domestic and export market through a single manufacturing facility

**Non-
availability of
export focused
zones**

Where a manufacturer has export commitments but does not have any SEZ near his manufacturing facility

**Compete in
International
markets (thin
margins)**

Where a manufacturer wants to compete in the international market by increasing his/ her liquidity (i.e. minimizing the working capital cost- (Deferment of customs duty with a waiver of interest)

How DA can assist you

Feasibility Study covering cost-benefit analysis to evaluate existing facility vis-à-vis bonded manufacturing facility



End-to-end handholding for setting up of the bonded warehouse or conversion of existing premise as a bonded warehouse



Standard Operating Processes (SOP) based on compliance requirements and best practices in a bonded warehouse



ERP implementation support from the perspective of bonded manufacturing facility



Assistance in undertaking the **monthly compliances** of a bonded warehouse



Advocacy on specific issues and points of consideration for a bonded manufacturing warehouse

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