

## INTRODUCTION

Bonded warehouse is a facility wherein imported goods are stored under customs control in a designated place/ warehouse. Customs duty is deferred at the time of import of goods and is payable at a later stage only upon clearance of goods for home consumption. The provisions related to warehousing have been formulated under Chapter IX of the Customs Act, 1962 ('Customs Act').

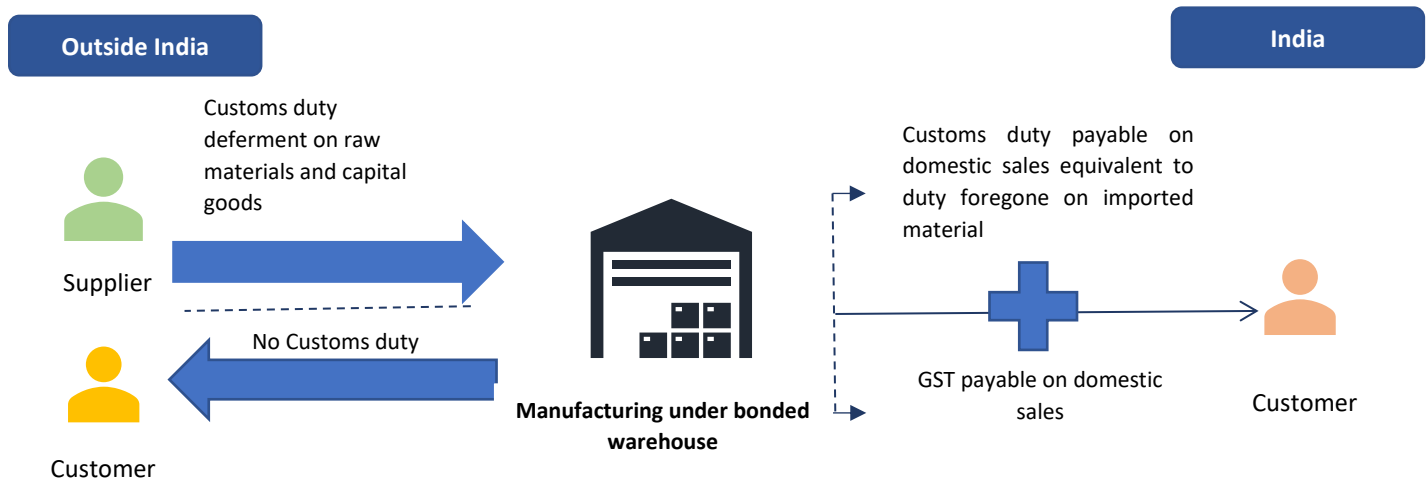
## DIFFERENT FORMS OF WAREHOUSING



## FRAMEWORK : Manufacture and Other Operations in Warehouse (No. 2) Regulations, 2019 ('Scheme') [Scheme]

The Scheme facilitates import of inputs and capital goods without payment of duty for manufacturing and other operations in a bonded manufacturing facility, for the purpose of exports. On the other hand, it allows deferral of import duty to the extent manufactured goods cleared in the domestic market.

This Scheme has been introduced *vide* Notification No. 69/2019 Customs (NT) read with Circular No. 34/2019 Cus. dated October 1, 2019.





## OBJECTIVES OF THE SCHEME



### India as Global Manufacturing Hub

The Scheme boosts the make in India initiative and promotes India as a global manufacturing hub



### Foreign Direct Investment

Will provide a stimulus for the manufacturing sector which is heavily dependent upon imported inputs – thus encouraging FDI



### Ease of Doing Business

The manufacturer can explore the demands in foreign and domestic market with no incremental investment. There is also no commitment involved.



### Ideal for single manufacturing units

Single manufacturing units can explore opportunities in both foreign as well as domestic market through optimal capacity utilization

## SALIENT FEATURES OF THE SCHEME

- Eligibility to seek approval under the Scheme is not associated with the quantum of clearances for exports and domestic market
- No geographical limitation for setting up of the units
- Deferment of import duty and no interest liability would considerably improve the liquidity position
- No investment threshold and no export obligations required to be fulfilled
- Single application cum approval form with single point of approval
- Procurement of GST compliant goods from the domestic market for the use in manufacture and other operations is permissible

### Eligibility?

- Person who has been granted a license for the establishment of a private bonded warehouse in terms of Private Warehouse Licensing Regulations, 2016; or
- Person who has applied for license for the establishment of private bonded warehouse along with the permission for undertaking manufacturing or other operations in the warehouse under Section 65 of the Customs Act

**The person should be a citizen of India or an entity incorporated or registered in India**

## IMPLICATIONS ON VARIOUS TRANSACTIONS

Customs Duty (BCD & IGST) is deferred in case of import of capital goods as well as inputs/ raw materials at the time of import and storage in the bonded warehouse. Subsequently, the final implications on the same depending upon whether the same are cleared as such or used



Particulars	Clearance	
	DTA	Outside India
Raw Materials & Other Inputs	Customs Duty and IGST payable	Customs duty and IGST not payable
Capital goods	Customs Duty and IGST payable. No depreciation is allowed	Customs duty and IGST not payable
Finished Goods	Customs duty on Raw Material + IGST on Finished Goods	Customs duty and IGST not payable

## BENEFITS AND WAY FORWARD

- 1 Scheme is beneficial to manufacturers who procure goods from outside India
- 2 Better supply chain management for manufacturer with customers located in SEZ / EOU or in bonded warehouse
- 3 Cash Optimization by reduction in blockage of funds for payment of Customs duties and related compliance cost
- 4 Comparatively lesser cumbersome in respect of fulfilment of conditions related to export obligation, actual user condition or value addition

CBIC has created a digital common application form to seek license under this Scheme and is available at dedicated webpage <https://www.investindia.gov.in/bonded-manufacturing>.

## ABOUT US

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