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Shri Vivek Johri, IRS
Chairman – CBIC
Ministry of Finance

Sub: Industry concerns reg Insertion of new Section 65A in Customs Act, 1962 wrt amendment in Finance Act, 2023

Respected Sir,

Greetings from MAIT!

At the outset, MAIT on behalf of India's electronics & ICT hardware sector, would like to take this opportunity to thank Ministry of Finance for its continued support to the Indian ICT industry. We deeply appreciate Govt for presenting a holistic budget which envisions prosperous and inclusive India.

We would like to highlight some changes in the Finance Act 2023 that are impacting the ICT industry severely and will affect the manufacturing ecosystem. As you are aware, the Finance Act 2023 has inserted Section 65A in Customs Act, 1962 through an amendment. This amendment withdraws existing GST exemption on goods imported under manufacturing and other operations in warehouse (MOOWR).

Provisions of MOOWR: India allows manufacturing and other operations in a bonded manufacturing facility to promote India as the manufacturing hub globally and the commitment towards ease of doing business, under Section 65 of the Customs Act, 1962 provides for manufacturing as well as carrying out other operations in a bonded warehouse. Central Board of Indirect Taxes (CBIC) is allowing import of raw materials and capital goods without payment of duty for manufacturing and other operations in a bonded manufacturing facility.

Currently, the Customs Act allows storing of the imported goods in warehouse without payment of duties of Customs under MOOWR. Such duties are payable on clearance of goods from the warehouse for home consumption. In the amended Finance Act, Section 65A has been inserted which provides for payment of duties like IGST and compensation cess while storing the goods in the warehouse for carrying out manufacturing and other operations under Section 65.

The issue: Section 65A requires importer to file BoE for home consumption, instead of BoE for warehousing and pay applicable IGST and Compensation cess while storing the goods into warehouse, which deviates from the very purpose of establishing MOOWR in the country and strongly against the principle of Make in India. This adversely affects export operations and negatively impacts businesses by reducing working capital. This also has a negative cascading impact on ICT exports.

Recently, the Hon'ble Minister for Commerce and Industry, Shri Piyush Goyal urged industry to use the Revenue Department's **Manufacture and Other Operations under Warehouse Rules (MOOWR)** scheme to duty-free import products for the purpose of re-export as it is a "pretty practical, neat, simple solution to the problem that sometimes small exporters particularly face".¹

¹ <https://economictimes.indiatimes.com/news/economy/foreign-trade/new-scheme-to-manufacture-machinery-for-trimmings-in-works-says-industry-minister-goyal/articleshow/96718372.cms>

While Government is aggressively emphasizing on Make in India & Ease of Doing Business, this unexpected move shall demotivate the investors and making MOOWR scheme less attractive for them. The MOOWR official website also states that BCD+IGST deferred². The website also mentions that MOOWR is “A big step towards ‘Make in India’ elevation, it will attract huge foreign investment, generate employment, and boost export. India will move in the direction of self-reliant with global manufacturing hub.” By bringing up this new provision, the investors feel dejected and shall move away from MOOWR.

The MOOWR is already excluded from the benefits of RoDTEP scheme. All the embedded taxes covered under the RoDTEP are being borne by units under the MOOWR scheme and at the same cost as any DTA unit. DTA units can claim the benefit of RoDTEP scheme along with the Duty Drawback Scheme. For only DTAs to be eligible / entitled to claim RoDTEP benefits and not allowing the same benefit to Manufacturer Exporter under the MOOWR scheme appears to be an oversight, thereby making MOOWR a less preferred scheme.

Request

In order to maintain India’s competitive edge in manufacturing, it is our earnest request on behalf of the ICT Industry that the impugned amendment to Section 65A be removed.

We look forward to your urgent intervention on this matter.

We also request an **urgent meeting at a time convenient to you** to enable us to personally apprise you of the matter in detail.

Warm regards,



Col. AA Jafri, Retd
Director General

² [Manufacturing and Other Operations in Warehouse \(moowr.com\)](http://moowr.com)

