



PHD House, 4th Floor, Ramakrishna Dalmia Wing
4/2, Siri Institutional Area, August Kranti Marg, New Delhi – 110016,
Tel# 9599665859 E-mail: ajafri@mait.com □ Website: <http://www.mait.com>

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Smt. Asha Nangia
Scientist G & Group Coordinator
Ministry of Electronics & Information Technology

Sub: Industry concerns reg Insertion of new Section 65A in Customs Act, 1962 w.r.t. amendment in Finance Act, 2023

Respected Madam,

Greetings from MAIT!

At the outset, MAIT on behalf of India's electronics & ICT hardware sector, would like to take this opportunity to thank MeitY for its continued support to the Indian ICT industry.

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 the 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 the 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 Bill, Section 65A has been proposed to be included 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: If Section 65A comes into force, the importer will need to file BoE for home consumption, instead of BoE for warehousing and pay applicable IGST and Compensation cess while storing the goods into the warehouse, which actually deviates from the very purpose of establishing MOOWR in the country and strongly against the principle of Make in India. This will adversely affect export operations and negatively impact businesses by reducing working capital. This will also have a negative cascading impact on ICT exports.

Recently, the Hon'ble Minister for Commerce and Industry, Shri Piyush Goyal urged the 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]

While Government is aggressively emphasizing on Make in India & Ease of Doing Business, this unexpected move shall demotivate the investors and making the MOOWR scheme less attractive for them. By bringing up this new provision, the investors will feel dejected and move away from MOOWR.

The MOOWR is already excluded from the benefits of the 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 the 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, we seek your urgent intervention in requesting CBIC 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.

Warm regards,



Col. AA Jafri, Retd
Director General

^[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>