1. Can a factory which is solely into manufacturing goods, which are to be sold in the domestic market, eligible for obtaining a license under Section 65 and Section 58 of the Customs Act, 1962?

The eligibility of a factory for a license under Section 58 of the Customs Act along with a permission under Section 65 does not depend upon whether the final goods will be sold in the domestic market or exported. There is no restriction on selling 100% of the finished goods in the domestic market. A factory can avail a license under Section 58 of the Customs Act along with a permission under Section 65, if they intend to import goods and deposit them in the warehouse, either capital goods or inputs, and carry out further processing in the premises involving the goods.

2. Can an existing factory which solely manufactured goods to be sole in the domestic market, obtain a license under Section 65 and Section 58 of the Customs Act, 1962?

The eligibility of a factory for a license under Section 58 of the Customs Act along with a permission under Section 65 does not depend upon whether the final goods will be sold in the domestic market or exported. There is no restriction on selling 100% of the finished goods in the domestic market. A factory can avail a license under Section 58 of the Customs Act along with a permission under Section 65, if they intend to import goods and deposit them in the warehouse, either capital goods or inputs, and carry out further processing in the premises involving the goods.

3. Can a factory license under Section 65 of the Customs Act, 1962 import capital goods duty free? If yes, would any basic customs duty be payable on the goods manufactured in the bonded premises using the said capital goods and sold into the domestic tariff area?

A unit licensed under Section 58 and 65 can import capital goods and warehouse them without payment of duty. Please refer to Para 9 of Circular 38/2018, which refers to the entitlement of the unit, to import capital goods, machinery etc. by following the provisions under Chapter-IX. Duty on the capital goods would be payable when they are cleared up for domestic market (home consumption). Regarding the goods manufactured in the bonded warehouse using the capital goods, the payment of
duty will be governed by Para-5 and 6 of the Circular 38/2018 dated 18/10/2018. No interest would be payable.

4. Can we send capital goods imported duty-free in the factory licensed under Section 65 of the Customs Act, 1962 for repair/testing? If yes, would any duty be payable on such removal? Can we temporarily send capital goods imported duty-free in the factory licensed under Section 65 of the Customs Act, 1962 to a sub-contractor for use in further manufacturing?

The warehouse goods can be sent for job work and brought back to the Section 65 premises without payment of duty. However, there is no provision for use of these goods for manufactured in the different premises.

5. Would it be mandatory to appoint a warehouse keeper in the factory licensed under Section 65 of the Customs Act? Would all goods cleared from the said factory be subject to inspection by the warehouse keeper/Customs authorities?

A warehouse keeper has to be appointed, for a premise to be licensed as a private warehouse under Section 58 of the Customs Act. The Warehouse keeper is expected to discharge duties and responsibilities, maintain accounts and also sign the documents, on behalf of the licensee. The warehouse keeper is expected to supervise and satisfy himself about the veracity of the declaration/accounts that he is signing. The inspection of goods by customs at the stage of ex-bonding would be done, only if there is an indication of risks.

6. How frequently is an audit of a unit operating under Section 65 of Customs Act, 1962 expected?

The audit of units operating under Section 65 would also be based on risk criteria. There is no prescribed frequency for such audit.

7. Is import of raw material without BCD and IGST? Will there be any interest obligation if IGST is paid when finished goods are sold in domestic markets?

Inputs/raw materials can be imported and deposited in the licensed warehouse without payment of BCD and IGST. No interest liability arises when the duties are paid at the time of ex-bonding for
clearance for home consumption.

8. Can we claim the benefits of section 65 only for capital goods and not for raw materials?

The duty deferment is available to imported goods brought into the Section 65 warehouse for carrying out manufacturing process or other operations in the warehouse in relation to such goods. The goods may be in the nature of raw materials or capital goods.

9. Can all export benefits under FTP and IGCR benefits be taken in Bonded warehouse simultaneously?

The eligibility to export benefits under FTP or IGCR would depend upon the respective benefit scheme. If the scheme allows, operating under Section 65 has no impact on the eligibility. In other words, a unit operating under Section 65 can avail any other benefit, if the benefit scheme allows.

10. What is the warehousing period for goods permitted under Section 65 of the Customs Act, 1962?

Section 61 of Customs Act, 1962 states that the warehousing period for goods in case of a warehouse wherein manufacture or other operations have been permitted under section 65, would be till their consumption (for inputs) or clearance from the warehouse (for inputs and capital goods).