



No. G:142:07:2021

July 6, 2021

**Shri Sandeep Mohan Bhatnagar**

Member (Customs)

Central Board of Indirect Taxes and Customs (CBIC),

Ministry of Finance

North Block, New Delhi - 110 001

**Subject: Suggestions for MOOWR Scheme, 2019**

Respected Sir,

Greetings from the Institute of Cost Accountants of India!

Members of the Institute of Cost Accountants of India would like to congratulate you for the milestone Union Budget 2020-21 which is definitely a step towards making India a USD 5 trillion economy by 2025. We are in sync with this aspiration. We would like to congratulate the Government for nearing the 3 trillion dollar level. It is a commendable act in the current pandemic situation keeping the fiscal deficit at 9.5% and projecting it at 6.8% for 2021-22. This budget moves ahead with Covid-related reforms to Atmanirbhar resolve. We are confident that Indian Economy is in the safe hands and optimistic that India's aspiration to be a USD 5 trillion economy by 2025 would be achieved under the able leadership of our present Government. We happy about this optimistic approach in Union Budget 2021-22 which will definitely yield benefit for the country in long run and we are happy to assure our continuous strive to understand and contribute constructively in the development of our nation.

The Institute is a Statutory Body set up under an Act of Parliament in the year 1959. The Institute, as a part of its obligations, regulates the profession of Cost and Management Accountancy, enrolls students for its courses, provides coaching facilities to students, organises professional development programmes for members and undertakes research in the field of Cost and Management Accountancy.

At the outset, we appreciate the amendments made in MOOWR Scheme 2019 and detailed FAQ issued and contents mentioned on <https://www.investindia.gov.in/>. Undoubtedly, this scheme is much better and can immediately replace existing EOU Scheme subject to certain amendments, which are required:

**1) Depreciation of used assets when removed in DTA:**

At present depreciation is allowed on the capital goods when removed from EOU as against duty will have to be paid on the value of imports of capital goods in manufacture and other operations in bonded warehouse.

Even second-hand goods are imported, depreciation is considered by customs at the following rates.

- 1<sup>st</sup> Year : 4% per quarter
- 2<sup>nd</sup> Year : 3% per Quarter
- 3<sup>rd</sup> and subsequent years : 2% per Quarter



Additional depreciation is allowed on computers and computers peripherals. Similar provisions are needs to be introduced.

However, such type of provisions needs to be incorporated in MOOWR Scheme, then only it can be replaced with EOU Scheme.

## 2) **Input Output Norms:**

At present, importer and exporter, who have opted for this scheme has to give input output norms on self-declaration and there is no specific provision of approval by Commissioner, Customs and Appellate provisions, which is the welcome step. However, it may lead to tax evasion and differential treatment by different units of the same manufacturing products also.

Therefore, we recommend input output norms to be in terms of Standard Input Output Norms as fixed by Norms Committee of DGFT. If the products which are not covered under SION, it has to be fixed within specified time in the similar line as applicable to EOU Scheme for fixation of adhoc norms by Development Commissioner.

*Alternatively, we recommend to get the input/output norms certified by a Cost Accountant at periodic intervals.*

## 3) **Conversion from EOU Scheme to Manufacture & Other Operations in Warehouse (No. 2) Regulations 2019:**

The provision needs to be incorporated in the said regulation and EOU unit can be converted into bonded warehouse which has obtained registration under Section 58 and 65 of Customs Act 1962. If such provisions are incorporated, majority of the EOUs will opt for conversion under the scheme.

At present, even though EOU Unit wish to convert under the MOOWR Scheme, it is considered to be exit of EOU Unit under para 6.18 of Foreign Trade Policy and therefore until Advance Authorisation for inputs and EPCG for capital goods is obtained, there is requirement to pay the duty, then only final debonding order is issued. As a matter of fact, conversion of EOU under MOOWR Scheme should be allowed without any payment of duty.

4) **Additional Location:** At present, EOU Unit can take the permission for getting the additional location and same is used for storage or carrying out additional activities. Normally most of the EOUs are availing these facilities. Therefore, such facilities needs to be extended under MOOWR Scheme under the same license granted under Section 65 of Customs Act 1962, otherwise object of ease of doing business will be lost.

5) **Returns:** At present, EOU Unit have to furnish Form A to Custom Authorities and Annual Performance Report and Quarterly Performance Report to the Office of Development Commissioner, whereas under the MOOWR Scheme, **Form B** is required to be submitted to the Jurisdiction Custom Officer, which needs to be simplified without losing interest of the revenue and focusing on ease of doing business.



- 6) **Imported Inputs & other imported goods removed as such:** At present, if imported goods are required to remove to DTA for home consumption, then duty forgone to be paid alongwith interest if it is removed as such after the period of 90 days from the date of in-bonding under the MOOWR Scheme. Such provision needs to be removed in line with EOU Scheme, which do not have such type of provision.
- 7) **Deemed Export:** Supply to unit under MOOWR Scheme should be considered as Deemed Exports under Chapter 7 of Foreign Trade Policy as well as Section 147 of CGST Act 2017. Supply from Advance Authorisation Holders/ EPCG Holders to units under MOOWR Scheme should also be considered towards the fulfilment of Export Obligation, which is in line with existing EOU Scheme. Similarly, Section 147 of CGST Act 2017 should include supply to unit under MOOWR Scheme, so as to obtain refund under the Section 54 of CGST Act 2017 read with Rule 89(1) of CGST Rules 2017. This will facilitate competitive exports in terms of WTO Agreement, no taxes to be exported.
- 8) **RoDTEP:** It has not been clarified whether the benefits of RoDTEP will be available to units under MOOWR Scheme. As a matter of fact, RoDTEP covers reimbursement of local taxes, which are not allowed to avail input tax credit and therefore such RoDTEP benefits also to be granted to the exports made by units under MOOWR Scheme.
- 9) **Supply to SEZ and Supply from SEZ:** As a matter of fact, unit is allowed to set up manufacture and other operations under Section 65 of Customs Act 1962 and therefore there is a need of specific clarification of non-applicability of any duties including GST, when goods are supplied to SEZ as well as supply from SEZ to unit under MOOWR Scheme.
- 10) **Monthly Report in Form Annexure B:** Annexure B needs to be re-casted especially the format for Treatment for waste and re-use arising from manufacture and other operations where resultant products are exported. As such no one imports the goods or procures the goods for manufacture of waste & scrap and import contents in finished goods sold in DTA is required to be paid based on the norms as mentioned i.e. gross raw material and therefore, there will not be any basic custom duty or IGST is required to be paid on clearance of waste and scrap, rather only applicable GST will be paid in terms of GST rate applicable to such type of scrap (Column No. 88 to 94 & 101 to 107). Further, details are asked to be provided duties to be remitted on quantity of warehoused goods containing so much of waste and refuse, destroyed or cleared as such (Column No. 95 to 100). It is suggested that columns for waste & scrap should be as follows:
  - Column No. 82 to 87 : No Change
  - Column No. 91 to 94 : To be replaced with payment of CGST & SGST and reflected in GSTR-1
  - Column No. 95 to 107 : Should be deleted

It is also advisable to issue the detailed clarificatory circular for the guidance on each column of Annexure B, what is expected to be filled in by the assessee, who will be operating under MOOWR Scheme.



We request your good office to kindly consider our suggestions which we believe will be much beneficial to trade and industry for boosting their business in the present scenario due to pandemic.

We shall be obliged, if you could provide us an opportunity to explain aforesaid suggestions to your goodself through a virtual meeting or concall as per your convenience.

We are sincerely looking forward to your favourable response.

Thanking you,

Yours faithfully,

**CMA Biswarup Basu**  
President

**Copy to: Shri M. Ajit Kumar**, Chairman, Central Board of Indirect Taxes & Customs (CBIC),  
Department of Revenue, Ministry of Finance, North Block, New Delhi