NEWSLETTER 02 (May 2020)

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In this newsletter we have compiled the information on Bonded Manufacturing Scheme and Atmanirbhar Bharat Abhiyan Scheme for MSMEs.

A. BONDED MANUFACTURING SCHEME

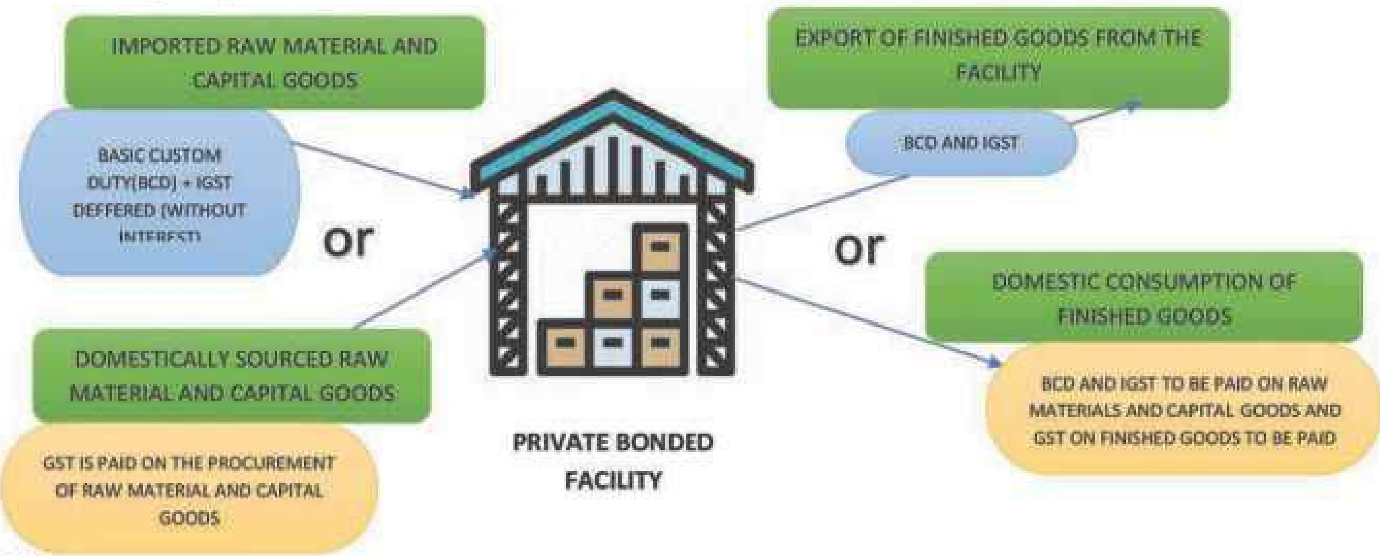
1. Scheme for manufacturing and processing in a bonded facility

Overview

"India allows duty-free import of raw materials and capital goods for manufacturing and other operations in a bonded manufacturing facility."

Government along with CBIC in order to promote India as the manufacturing hub globally, to promote make in India initiative and to facilitate ease of doing business has come up with the bonded manufacturing scheme.

Under this scheme any person undertaking manufacturing or other operations in a bonded manufacturing facility can import raw materials and capital goods without payment of import duties on them as these duties are deferred.If these imported inputs are utilized for exports, the deferred duty is exempted. Only when the finished goods are cleared to the domestic market, import duty is to be paid on the imported raw materials used in the production. Import duty on capital goods is to be paid if and when the capital goods are cleared to the domestic market.



NOTE:

(1)When finished goods are exported, in addition to the waiver of BCD + IGST on the imported (and duty deferred) goods used, the GST on the finished goods can be zero-rated.

(2) Any input GST can be taken as a credit against output GST.

(3) The applicant must comply with the provisions of the Customs Act 1962, and with all other applicable compliances issued by the Government of India for doing business in India.

(4) The warehouse in which permission to carry out manufacture or other operations (as per Section 65) is granted shall also be declared by the Licensee as the principal/additional place of business for the purposes of GST.

This scheme has been introduced via Notification No. 69/2019- Cus (NT) dated 1 October 2019 and Circular No.34/2019-Cus dated 1 October 2019.

2. ADVANTAGES OF BONDED MANUFACTURING

DEFERRED DUTY ON CAPITAL GOODS- Import Duties on Capital goods used in the manufacturing and other activities in the bonded facility are deferred until their clearance from the bonded facility. To avoid the deferred duty capital goods after utilization can be sold off to foreign manufacturers.

DEFERRED DUTY ON RAW MATERIAL- Raw material imported and used in the manufacturing and other activities in the bonded facility are deferred until the clearance of finished goods. If the goods manufactured are exported the deferred duty is waived off.

No fixed export obligation- No limit on the share of clearance of finished goods for domestic market. An entity may manufacture in the bonded facility and sell 100 % of the output in the domestic market on payment of deferred import duty and GST on output.

Seamless warehouse to warehouse transfer- Transfer goods from the bonded facility to another facility without payment of duty

Single point of approval- Commissioner of Customs acts as the single point of contact for all approvals

Common form- Common application cum approval form for a license for private bonded facility and permission for manufacturing and other operations

Unlimited period of warehousing- Capital and non-capital goods (raw materials, components, etc.) can remain warehoused until clearance or consumption

No geographical restriction- New manufacturing facility can be set up or an existing facility can be converted into a bonded manufacturing facility irrespective of its location in India

Easy compliance- Maintain all records of manufacturing and other operations digitally in a single format as per Annexure B

3. STEPS TO START MANUFACTURING UNDER THE BONDEDMANUFACTURING SCHEME

STE	PROCESS	DESCRIPT	
1	Fill Online Application	Fill online application as per Annexure A along with the followingdetails at https://www.investindia.gov.in/bonded-manufacturing/application-form • Nature of manufacturing • Particulars of imported inputs • Anticipated trade volume, etc. List of documents required: • Certificate of Incorporation (For companies) • MoA and AoA (For partnership firm) • Partnership Deed (For partnership firm) • Copy of ID proofs of proprietors/ partners/ directors • Copy of Aadhar Card of Authorized Signatory • Documents supporting property-holding rights, such as rent agreement	
2	Execute a Bond	Execute a bond as per Annexure C and submit a physical copy to your Jurisdictional Commissioner of Customs. Maintain detailed accounts as per Annexure B Note: Before execution of a Bond, a Customs	
3	Grant of Sanction	Commissioner of Customs grants the permission for manufacturing or other operations in the bonded facility Permission also includes: • Manufacturing process or other operations permitted	
4	Start Manufacturing or Other Operations	Once Sanction is granted by the commissioner of Customs the Applicant can start manufacturing or other operations in its registered bonded facility	

NOTE: The processes for availing the license for a private bonded facility (as per Section 58) and for manufacturing or performing other operations (as per Section 65) are combined under single application as per Annexure A.

4. STEPS FOR CLEARANCE OF WAREHOUSED GOODS

FINISHED GOODS MOVED FOR DOMESTIC CONSUMPTION

Warehoused goods are permitted for clearance after:

- All compliances are met by the owner of goods as per executed Bond.
- Deferred duty on imported raw materials or capital goods is paid.
- GST is paid on the finished goods.
- Any other compliance as per the Customs Act or any other applicable regulations are met

WAREHOUSED GOODS USED FOR MANUFACTURIN G OR OTHER OPERATIONS

TRANSFERRED TO ANOTHER BONDED MANUFACTURING FACILITY OR FINISHED GOODS ARE MOVED TO CUSTOM STATION FOR EXPORT

WAREHOUSED GOODS

Steps to be followed for Transport Warehoused Goods:

1. Fill Form for Transfer of goods from a facility appended in Warehouse Goods (Removal) Regulations Act, 2016 to transport warehoused goods.
2. Licensee of the originating warehouse affixes a one-time-lock, unless permitted by the Commissioner of Customs to transport without the lock, depending upon the nature of goods or the manner of transport.
3. Produce 'Acknowledgement' received from the licensee of the recipient warehouse stating arrival of goods to Bond Officer of the originating warehouse.

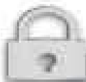
Acknowledgement is to be produced in 1 month.

Note: When goods are transferred from one bonded facility to another, incidence to pay deferred duty is also transferred to the owner of the new facility.

5. Requirements for Record-keeping

Maintenance of Records

- Maintain detailed records of receipt, handling, storing and removal of goods into/ from the facility as per Annexure B.
- Keep record of each activity, operation or action taken in relation to the warehoused goods.
- Keep record of drawl of samples from the warehoused goods.
- Keep copies of the following documents: Bills of Entry
- Transport documents
- Forms for transfer of goods from warehouse
- Shipping Bills
- Bills of Export
- Any other documents indicating receipt/ Removal of goods from the warehouse



Preservation of physical and digital records

- As per policy, the records of accounts should be preserved for a minimum of 5 years from the date of removal of goods from the warehouse.
- Digital copies of records should be preserved at a place other than manufacturing or warehousing facility warehouse

Filing monthly returns

- File monthly returns within 10 days of closing of the month

NOTE: If licensees fail to comply with any of the provisions of these regulations, they shall be liable to a penalty in accordance with the provisions of the Customs Act, 1962.

6. BENEFICIARIES UNDER THIS SCHEME AND RESPECTIVE BENEFITS ACCRUING TO THEM

			
Manufacturer moving the finished goods to the domestic market	**Manufacturer moving finished goods for Export**	**Manufacturer moving waste /refused goods**	**E-Commerce service provider**
Import duty on raw materials and capital goods are deferred till finished goods are removed for domestic consumption and can be stored in the warehouse for an indefinite period. Thus, assesses get additional working capital support during the period of manufacture. On removal of finished goods for home consumption assesses must pay GST on such raw materials as per section 9 of CGST Act and duty payable through ex- bond bill of entry (record of this is to be maintained as per Annexure B).	No duty is to be paid on imported raw materials or capital goods if the following are complied with: (1) Documents of export declaration based on the mode of transportation (Shipping Bill/ Bill of Export/ Form prescribed) are produced (2) Export duty, fines and penalties, if any, are paid (3) Order of clearance of goods issued by the Customs Officer	Exported Goods In case of export of finished goods, the duty on waste is paid as if the waste was imported into India. Licensee can also get the duty remitted by destroying the waste generated. Domestically consumed Goods In the case of domestic consumption of finished goods, the import duty (customs duty + GST) is paid on the quantity of the imported goods contained in the waste and scrap.	Under a bonded facility, the retailer doesn't worry about the permitted time to store warehoused goods with the advantage of unlimited storage. The retailer pays duty on the imported inputs only when the finished goods are cleared from the facility to the domestic market.

B. ATMANIRBHAR BHARAT ABHIYAAN | SELF RELIANT INDIA MISSION 2020

A few weeks back, the Finance minister explained the **details of the package of Rs 20 lakh crore** economic stimulus package. The main motive behind this initiative is to make India **self-reliant**.

1. Reduction of TDS/ TCS Rates Under Atmanirbhar Bharat package:

Most people will rejoice on knowing that the TDS for non-salary payments shall also be reduced by 25 percent. If the existing rate for someone is 10%, then the revised rate will be 7.5%. This includes the contract payments, payment of all kinds of professional fees, dividends, commission, brokerage and rents.

Moreover, this relief will be available in FY 20-21. Therefore, this will result in the liquidity of Rs 50,000 crore under the **Atmanirbhar Bharat package**

There are several other measures that have been implemented. They include revising the dates for various returns like income tax returns that are not liable for tax audits. The date has been revised to 30th November 2020. Moreover, those returns that are liable for tax audits have been revised to 30th November as well. Tax audit report submissions have been rescheduled to 31st October. Assessments expiring in September have received extension till the end of December 2020. Furthermore, assessments having a due date of March 31st, 2021, will be extended till 30th September 2021. **Atmnirbhar Bharat** has various facets.

Revised TDS Rate Chart.

Nature of Payment	Relevant Section	TDS rate effective till May 13, 2020	TDS rate effective from May 14, 2020 to 31.03.2021
Receiving accumulated taxable part of PF	Section 192A	10%	10%
Interest received on securities	Section 193	10%	7.5%
Dividend received from Mutual funds and on company's shares	Section 194 and 194K	10%	7.5%
Interest other than Interest on Securities e.g. Fixed deposit interest	Section 194A	10%	7.50%
Commission or brokerage received except for Insurance Commission	Section 194H	5%	3.75%
Payment of rent by individual or HUF exceeding Rs. 50,000 per month	Section 194IB	5%	3.75%
Payment made to professional or commission or brokerage of more than Rs 50 lakh and above	Section 194M	5%	3.75%
Payment of Professional Fees etc.	Section 194J	10%	7.5%
Rent for plant and machinery Rent for immovable property	194- I(a) 194-I(b)	2% 10%	1.50% 7.50%

There shall be no reduction in rates of TDS or TCS where the tax is required to be deducted and collected at higher rates due to non-furnishing of PAN/Aadhaar

One should remember that these new rates are effective for only the current financial year.

The reduced TDS rates will lead to higher self-assessment tax later.

2. MICRO SMALL AND MEDIUM ENTERPRISES (MSME)

MSME stands for Micro, Small and Medium Enterprises. In a developing country like India, MSME industries are the backbone of the economy.

i. What are MSME?

As per the 'Atmanirbhar Bharat' scheme announced on 13th May, 2020-

- Definition of MSMEs is revised
- Investment limit will be revised upwards
- Additional criteria of turnover also being introduced.
- Distinction between manufacturing and service sector to be eliminated.
- Necessary amendments to law will be brought about

*The definition of Investment and Annual Turnover are yet to be notified.

ii. Why MSME?

1.Collateral Free loans from banks:

The Credit Guarantee Fund Scheme (CGS) for Micro and Small Enterprises was launched by the GOI to make available collateral-free credit to the micro and small en-terprise sector. Both the existing and the new enterprises are eligible to be covered under the scheme. The Ministry of Micro, Small and Medium Enterprises, Government of India and Small Industries Development Bank of India (SIDBI), established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Fund Scheme for Micro and Small Enterprises.

-Emergency Credit Line to Businesses/MSMEs from Banks and NBFCs up to 20% of entire outstanding credit as on 29.2.2020

- Borrowers with up to Rs. 25 crore outstanding and Rs. 100 crore turnover eligible
- Loans to have 4 year tenor with moratorium of 12 months on Principal repayment
- Interest to be capped
- 100% credit guarantee cover to Banks and NBFCs on principal and interest
- Scheme can be availed till 31st Oct 2020
- No guarantee fee, no fresh collateral

2. Protection against delayed payments

- A payment due to a micro or small enterprise cannot exceed forty-five days from the day of acceptance or the day of deemed acceptance
- In case of failure by the buyer to make payment on time, the buyer is required to pay compound interest with monthly interest rests to the supplier on that amount from the agreed date of payment or fifteen days of acceptance of goods or service. The penal interest chargeable for delayed payment to a MSME enterprise is three times of the bank rate notified by the Reserve Bank of India.
- Mandatory reporting in Tax Audit report along with non allowance of Interest paid under Income Tax.

3. Credit Linked Capital Subsidy Scheme:

Under this scheme, new technology is provided to the business owners to replace their old and obsolete tech-nology. A capital subsidy is given to the business to upgrade and have better means to do their business. The small, micro and medium enterprises can directly approach the banks for these subsidies.

4. Incubation:

This scheme helps innovators with the implementation of their new design, ideas or products. Under this from 75% to 80% of the project cost can be financed by the government. This scheme promotes new ideas, designs, products etc.

5. Bank Interest:

Rate of Interests are lower for the registered ones as compared to other enterprises. Public sector banks are permitted to categorize their MSME general banking branches as specialized MSME branches having 60% or more of their advances to MSME sector. This is to provide for a better service to this sector as a whole

6. How to become a MSME?

-Any existing functioning or new business set up fulfilling the eligibility criteria can apply for MSME registration through https://udyogaadhaar.gov.in/ , national portal for registration of MSME.

Before starting the process, ensure that you have an Aadhar Card. Aadhar Card is compulsory in the registration of MSME. In case you do not have one, an application is to be filled online