Module 20 · Warehousing and manufacture in bond P19 · topic 20

SM pp. 1155–1169 (exercise 1170–1172). J26 Q6(a) warehoused diesel cleared but stored (rate on removal), D23 Q7(b) into-bond bill of entry: duty and interest, PTP Q6(a) clearance for home consumption / export / transfer; MCQs J23 interest after 120 days, J25 records kept 5 years. Expected ~2.5 marks.

LICENCES AND PERIOD

- Public warehouse **s.57**, private **s.58**, special warehouse **s.58A** (locked by the proper officer) — licensed by the Principal Commissioner / Commissioner. Manufacture under bond only in s.58 private warehouses. [SM 1158]
- **Warehousing bond (s.59)**: consignment or general bond; for manufacture in bond, a bond for **Thrice the assessed duty**. [SM 1160–1161]
- **Period (s.61)**: **One year** from the order permitting deposit (EOU: till consumption / clearance); Commissioner may extend by **6 months**, further by the Chief Commissioner; may shorten for goods likely to deteriorate. [SM 1159]
- **Interest** (SM chart, from 14-5-2016): none for the first 90 days of warehousing; after that interest (15% p.a. in SM Illus. 9) on the duty; EOU / EHTP / STP inputs and capital goods treated separately. [SM 1159 (chart)]
- **Owner's rights (s.64)**: inspect, preserve / repack, sort, show to buyers — no MOT charges now. [SM 1160]

KEY DATES FOR WAREHOUSED GOODS

Exchange rate	date of the **into-bond** bill of entry
Rate of duty	date of the **sub-bill (ex-bond)** of entry for home consumption
Not removed in time	rate on the last day the goods should have been removed (improper removal, s.72)

[SM 1158]

CLEARANCE (PTP Q6(a))

- **Home consumption** (s.68): bill of entry for home consumption; pay duty, interest, penalty, rent and charges; clearance order by the proper officer. [SM 1164]
- **Export** (s.69): shipping bill / bill of export; pay export duty and charges; export order — **no import duty**. [SM 1164]
- **Transfer to another warehouse** (s.67): with the proper officer's permission; liability moves to the receiving owner; transfer form under the Warehoused Goods (Removal) Regulations, 2016; one-time lock; shortages reported within **24-hour**. [SM 1164–1165]

MANUFACTURE IN BOND (s.65)

- Import capital goods and inputs with **BCD and IGST deferred, no interest**; duty waived on goods exported; paid only on DTA clearance (up to 100% of output may go to the DTA); anywhere in India; single application (Annexure A), records (Annexure B), general bond (Annexure C); risk-based audit, no daily physical control. [SM 1155–1156, SM 1161–1162]
- Waste: duty waived on waste from inputs for exported goods (if destroyed or duty paid); payable on waste relating to DTA clearances (s.65(2)). [SM 1165]
- **Records** kept at least **5 years** from removal; monthly return within **10-day** of month-end (J25 MCQ). [SM 1166]
- s.65A (IGST at the time of deposit for s.65 units) was inserted by the Finance Act 2023 but was not in operation (SM). [SM 1163]

PROBLEMS BOX · DUTY AND INTEREST ON WAREHOUSED GOODS (D23 Q7(b) TEMPLATE)

WORKED PATTERN · SM ILLUSTRATION 9 (VIPUL)

Into-bond BoE 14-12-2024 (US$1,00,000, ₹65.20); deposit permitted for four months; not cleared by 20-4-2025 (rate then BCD 10%); cleared 14-5-2025. AV = **₹65,20,000** (into-bond rate); duty at the rate on the last permitted day, BCD + SWS 11% = **₹7,17,200**; interest ₹7,17,200 × 15% × 56 / 365 = **₹16,505** (146 days less the 90 interest-free days). [SM 1168–1169]

⚠ The SM's day table counts February 2025 as 29 days; with 28 days it is 145 − 90 = 55 days → ₹16,211. Write the working with your day count.

J26 Q6(a) · DIESEL CLEARED BUT STORED (OUR ANSWER; NOT IN THE SM)

Once the ex-bond bill of entry for home consumption is filed, duty paid at the rate on that date (s.15(1)(b)) and the clearance order passed, the goods **cease to be warehoused goods**; permission to keep them in the same warehouse for safety does not make the later removal a fresh "clearance". The Department cannot demand the higher rate prevailing on physical removal. (Courts have held this way; the SM has no case — do not cite a name.)

PRACTISE THESE

D23 Q7(b) · J26 Q6(a) · PTP Q6(a) · J23 MCQ (xi) · SM Illus. 1–9 (SM 1166–1169) · **ICMAI Practice Workbook Ch17 illus. 1–10** · MCQ bank Q85–Q87, Q162–Q165. **Hook: "Exchange at into-bond, rate at ex-bond; one year + 6 months; 90 days interest-free."**