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Ref.No.MAIT/PY/2312

September 25, 2023

Shri Neeraj Mittal, IAS
Secretary
Department of Telecommunications

Sub: Request for exemption of Telecom Goods, their parts and components under Section 65A of the Customs Act (MOOWR)

Respected Sir,

Greetings from MAIT!

At the outset, MAIT on behalf of India's electronics & telecom sector, would like to take this opportunity to thank DoT for its continued support to the telecom industry in the nation.

We would like to highlight some changes in the Finance Act 2023 that are impacting the telecom 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 telecom exports.

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. With this new provision, the investors will feel dejected and move away from MOOWR.

Request

In order to maintain India's competitive edge in telecom sector, we seek your urgent support in requesting CBIC on behalf of the telecom Industry to consider the following requests:

1. Units engaged in manufacturing of switches, routers, access points, PCBA and other telecommunication equipment and their parts / components, falling under Chapters 84 and 85 will be eligible for section 65(A) (3) exemption on import of inputs and capital goods.
2. Units supplying their finished products as inputs or capital goods, only to units of telecommunications sector at (i) above, will be considered for section 65(A)(3) exemption on imports.
3. Department of Telecommunications will examine the exemption request of such units [(1) and (2) above] and certify the eligibility to Customs for recognizing them as exempted units.

We look forward to your urgent support on this matter.

Warm regards,



Col Suhail Zaidi (Retd)
Director General

CC: Shri Vimal Kumar Srivastava, IRS, Principal Commissioner (Customs & EP), MoF
CC: Shri Sahil Garg, Director - IP-II, Department of Telecommunications