

Circular No. 23/2016 -Customs

F. No. 473/20/2013-LC
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise & Customs

New Delhi, the 1st June 2016

To,

All Principal Chief Commissioners Customs,
All Principal Chief Commissioners of Customs & Central Excise,
All Chief Commissioners of Customs,
All Chief Commissioners of Customs & Central Excise,
All Directors General, Chief Departmental Representative,
All Principal Commissioners of Customs,
All Principal Commissioners of Customs & Central Excise,
All Commissioners of Customs,
All Commissioners of Customs & Central Excise.

Sub: Manner of payment of interest on warehoused goods

Section 61 of the Customs Act, 1962 had been amended vide the Finance Act, 1994 whereby the interest payable with respect to warehoused goods was to be calculated with reference to the duty payable at the time of clearance of the goods from the warehouse. This was clarified through Circular no 31/96-Customs dated 07.06.1996.

2. However, noting the high inventory of goods lying in bonded warehouses, with the consequential effect of locking revenue, the Board had vide Circular 47/2002-Customs dated 29th July 2002, prescribed that interest due in terms of section 61 should be collected before allowing extensions, with a view to encourage early clearances. This led to importers having to deposit interest and seek refunds in the event of interest not being payable, for example in cases where goods were finally exported. In certain industries, the Board had relaxed the above condition for extending the warehousing period but prescribed that a demand notice should be served upon the importer and the same decided upon clearance of the goods, i.e. when the liability became determinable (Para 7 of Circular 10/2006-Customs dated 14th Feb 2006). The extant circulars have been reviewed by the Board with a view towards simplification of processes and promoting the ease of doing business.

3. In order to secure revenue and discourage protracted duty deferment arising due to warehousing, the Board has prescribed conditions for furnishing of security by importers vide circular 21/2016-Customs dated 31.05.2016. The said circular also specifies the amount (which is a percentage of the sum of duty and interest) of bank guarantee that would have to be furnished before allowing an extension in warehousing period. In continuation of the earlier dispensation, certain industries have been exempted from furnishing of such security.
4. In view of having prescribed the requirement of furnishing a bank guarantee as security, it has been decided by the Board that henceforth there would be no requirement of payment of interest prior to allowing extensions of warehousing period nor would there be any need to issue a demand for payment of interest. Interest, if any, shall be paid at the time of ex-bonding of the goods from the warehouse.
5. Difficulties, if any, should be brought to the notice of the Board.
6. Hindi version follows.

(Temsunaro Jamir)
Under Secretary to the Govt. of India