Manufacturing & Other Operations In Warehouse (MOOWR) - A Scheme That Begs Attention of Trade And Revenue

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The Government of India had re-introduced MOOWR scheme in 2019, through Manufacture and Other Operations in Warehouse Regulations, 2019, which completely revamped the erstwhile scheme launched in 1966.

MOOWR has been an industry friendly initiative, which can significantly benefit manufacturers/processors of goods in India. MOOWR has limited but certain essential compliance requirements together with customs duty exemption on input/capital goods used in the export product. It also allows deferment of Customs duty on the inputs used in the manufactured/processed goods sold into domestic market. The revamped MOOWR has also factored the challenges mounted various export promotion in India like Advance Authorization (AA), Export Promotion Capital Goods (EPCG), Export Oriented Unit (EOU), Special Economic Zone (SEZ), etc. by the order of the Dispute Resolution Board (DSB) of World Trade Organisation (WTO). MOOWR not being an export-obligation linked structure also conforms to WTO norms.

The revamped MOOWR scheme comes with a host of benefits, which includes -

- Customs Duty deferment on import of Raw materials and capital goods
- No Customs duty on input/capital goods if manufactured goods are exported by MOOWR
- No upper time limit for storage of imported goods (except trading activity)
- Perpetual validity of the license without the need for renewal
- Single point of contact for all approvals
- MOOWR Unit need not be set-up in any zone for export
- No physical control by Customs authorities
- No export obligations
- Seamless warehouse-to-warehouse transfers
- No investment threshold for set-up of MOOWR unit

Although the revamped MOOWR scheme opens-up innumerable opportunities to boost manufacture in India, the same has not attracted many eye-balls, possibly due to lack of clarity regarding certain procedural aspects of the scheme and governments efforts to create awareness has not reached all in the trade and industry.

One may view the tepid response as a consequence of lack of clarity on various legal aspects and specific practical challenges the entrepreneurs are encountering. Some of the critical areas which poses challenge and require clarifications are -

- Non-availability of depreciation on used capital goods, when supplied to domestic market
- Non-availability of All Industry Rate (AIR) drawback/ RODTEP on MOOWR exports
- Lack of clarity on the transfer of finished goods/intermediate goods/Work-in-Progress (WIP) between MOOWR units
- Challenges in transition from existing Advance Authorisation (AA)/Export Promotion Capital Goods (EPCG) schemes
- Absence of a substantive provision in the form an Act - MOOWR operates through notification which largely depends on government's policy priorities.
- Failure to aggressively promote the MOOWR
- Administrative difficulty relating to license validity in case of change in the company's constitution due to Merger/ acquisition, etc.
- Lack of online portal for submission of monthly returns/registers
- Technical difficulties of integration of MOOWR scheme on ICEGATE portal
- Lack of awareness about MOOWR among departmental officials, making it difficult for trade
- Challenges in customs duty remittance (on imported goods) for every removal from MOOWR

MOOWR scheme not only extends the benefit in the form of working capital savings to the extent of duty deferment but also provides operational flexibility to the manufacturers without burdening them with time-consuming compliances and procedural requirements. MOOWR scheme can bring efficiency in the whole supply chain, which in turn shall not only improve 'ease of doing business' but also cut-down manufacturing costs. MOOWR entails significant cash-flow advantage as it does not mandate upfront payment of duty at the time of import, but only when finished goods are sold in the domestic market.

Last few years have witnessed significant momentum in consumption, cross-border trade, foreign direct investments, manufacturing growth and entry of new players, and if channelised properly, MOOWR can be a very attractive scheme, especially for those who has significant imports and/or overseas supplies. However, lack of clarity on several procedural and technical aspects is preventing the companies from aggressively pursuing this route. The trade is also struggling to differentiate between the Export Oriented Units (EOU) and MOOWR, while the later appear to afford more flexibilities.

It is thus imperative for the government to make necessary interventions and bring-about requisite clarity around the MOOWR scheme so that it gets to fruition as envisaged by the Government at the time of its launch. The Government may also evaluate the feasibility of merger of EOU and MOOWR schemes by initiating inter-ministerial discussions. As the Government may embark on requisite tweaks in the scheme, industry and trade may have to critically evaluate this scheme in the context of their operation more seriously it being a WTO compliant, immensely beneficial compared with various other export oriented structures, currently in force.