

F.No. 473/61/94-LC

Government of India
Ministry of Finance
Department of Revenue, New Delhi

Your attention is drawn to the instructions contained in Board's circular of even number dated 15th June, 1995 (Customs Circular No. 68/95). Certain doubts have been expressed in some quarters regarding methodology to be followed for licensing of private bonded warehouses. Accordingly, further guidelines for grant of such licences are issued and Commissioners are advised to ensure that these guidelines are followed in respect of new applicants and also in respect of the existing private bonded warehouse licences by giving them suitable time for compliance with the fresh requirements. The time limit may be fixed two months from the date of issued of your public notice / trade notice.

The applications for private bonded warehouse licences may be classified in two categories. The first category being of those who want to store sensitive goods such as liquors, cigarettes, foodstuffs, consumables, etc. The second category is of those who do not store sensitive goods but store non- sensitive goods.

3. Guidelines for Storing Sensitive Goods

- (i) The new applicants who are intending to store sensitive goods should be asked to produce a solvency certificate (not a reference or confidential certificates) from a scheduled bank of repute (i.e., other than a cooperative bank or a bank which has operations limited to a city, etc.) for a value of not less than rupees fifty lakhs (Rs. 50 lakhs);
- (ii) Such warehouses should not be located in residential areas;
- (iii) The premises must be carefully checked to ensure that they are secured against theft, pilferage or other risks and are easily accessible for the departmental officers for any surprise checks.

In respect of existing licences, their location and other requirements should be reviewed and action should be taken in case it is found wanting in certain requirements. They should be given notices of say 90 days to either shift or give additional provisions that are required from the Department's point of view:

- (iv) Please ensure that there are adequate provisions for fire fighting operations;
- (v) It may be ensured that the goods deposited in the warehouses are fully insured by the ware housekeeper against theft, pilferage, fire accidents, other natural calamities,

risks against rioting, etc. at least for a value equal to the customs duty by a comprehensive insurance policy and drawn in favour of the Commissioner of Customs.

In respect of goods already warehoused, ensure that this coverage is also being made by the existing ware housekeepers.

(vi) It may be ensured that in respect of new applicants, their record is clean and that the proprietor or partner or any of the directors are not involved in any customs duty evasion or smuggling offence and have not been subject to a penalty or other action under the Customs Law and similarly under the Central Excise law. Where the applicants have been found to be involved in such offences (other than technical offenses), Commissioners may deny licences to such applicants;

(vii) In respect of existing warehouse-keepers if their track record has not been found satisfactory or cases have been registered for illegal removal or improper compliance of the rules and regulations, immediate action should be taken to cancel their licences after observing the principles of natural justice. Where duty evasion is found to be more than one lakh either in individual cases or in a series of offences, the cases of such licences should be reviewed for action;

(viii) In respect of individual consignments to be warehoused, the licences are to give a double duty bond as required under the law. In respect of sensitive goods we may take a cash deposit or bank guarantee equal to 25% of the duty liability (effective duty foregone) for each consignments. However, where a warehouse-keeper wants to have revolving bond with a single bank guarantee for a higher amount, it can be accepted and suitable credit/ debit system for each consignment warehoused/ cleared can be operated.

4. For Non- Sensitive Goods

(i) The applicant should be solvent and has a goods record. There is no need to insist on a solvency certificate of Rs. 50 lakhs but should be solvent for Rs. 10 lakhs;

(ii) All other provisions regarding security of the place, location of the place, insurance to be taken indicated in para 3 above would *mutatis mutandis* apply to non-sensitive goods. Normally, the double duty bond with surety would be sufficient. However, Commissioners may ask for a bank guarantee where they are not satisfied about the transactions of a particular bond.

5. Transit Bond for Transfer of Bonds to Interiors

(i) Where the imported goods are stored in a private bonded warehouse within the same metropolitan city, the regulations allow it to be sent under escort. In such cases, there is no need for a transfer bond;

(ii) Where the goods have to go outside the city, a transfer bond is required to be taken but where a transfer takes place within the territorial jurisdiction of the Commissioner of Customs and is within a reasonable distance say upto 50 kms, he may wave the bank

guarantee if he is satisfied with the *bona fides* of the party and the goods are sent under escort;

(iii) In respect of sensitive goods, the duty should be secured by a transit bond backed by a bank guarantee or a cash security for 50% of the duty involved. In respect of non-sensitive goods transit bonds would be covered by a bank guarantee or a cash security for 25% of duty revolved. The commissioners may demand bank guarantee / security upto the value of duty amount, if they consider it necessary in certain cases.