

**F.No. 473/9/98 - LC**

Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Excise & Customs, New Delhi

**Subject :** Liberalisation of bonding procedure in respect of 100% EOUs - regarding

The degree of supervision of the departmental officers on movement of raw materials, components, finished goods and manufacturing process and accounting of the same in an EOU has been under the review of the Board for some time. The Board has since amended the "Manufacture and Other Operations in Warehouse Regulations, 1966" by notification No. 44/ 98-Customs (NT) dated 2.7.1998 to provide operational flexibility, ease the restrictions and remove practical difficulties being faced by such EOUs, considering the changes in the environment of import control and tariff regime. The salient features of the changes are as under.

(i) The revised procedures will apply only to the EOUs as mentioned above. It will be observed from the amended regulations that the provisions relating to fixing the days/hours of operation of the warehouse, the manufacture to be carried out under the physical supervision of the customs officers, locking of the warehouse premises, control over the issue and return of imported goods have been deleted. Therefore all movements from and to the units like clearance of raw materials/ components to the job workers' premises, return of the goods from job workers' premises, clearance to other EOUs, export and sale into DTA can be made by the manufacturer himself subject of his recording of each transaction in the records prescribed by the Board/ Commissioners or their private records approved by the Commissioners.

(ii) As physical control is being abolished, greater stress needs to be given on proper maintenance of prescribed records/ accounts and non-maintenance of the accounts shall be viewed seriously and should also reflect on the supervisory role of the officers who have been assigned to supervise the said units. Such accounts should be scrutinised once in every month by the officer who have been posted on cost recovery basis or other officers assigned to the unit.

**(iii) Movement of non-duty paid goods:**

The movement of goods without payment of duty has been allowed from the EOU to another EOU or to STP/ EHTP units and for exports. The officer incharge of the sending EOU and receiving units shall watch such movements as there are reports of misuse of this facility. The rewarehousing certificate on transfer of the goods from one EOU to another shall be obtained by post and shall be crosschecked occasionally with the Superintendent incharge of the next unit to see whether the goods have been actually received in the unity or not. In case of non receipt of rewarehousing certificate and similarly proof or export of export from the proper officer, within 90/180 days, the duty shall be demanded from the sending unit immediately.

**(iv) Audit of the unit :**

The presently sanctioned Cost Recovery Officers shall examine the records of the units and transactions undertaken by the unit at least once in a month. The notification provides in regulation 11, that the Chief Commissioner may order special audit of the unit by a Cost Accountant (CA) nominated by him in this regard. Cost audit may be employed as a tool to check the correctness of raw material, quantity used, finished goods produced or other such situations. Before such approval, the Chief Commissioner may form a panel of CAs, fix the rate of the charges to be received by the said Cost Accountant. The names of the CAs and the details of the charges may be pre-notified at regular intervals.

(v) It maybe seen that while the latitude for manufacture and clearance and movement of raw materials and finished goods have been given to the EOUs, extra responsibility devolves on the cost recovery officers who are presently attached to the said units. There is no proposal at present for reduction or abolition of the said cost recovery posts. Wherever one officer has been assigned to more than one unit, the said officer would be made responsible for specific monthly checks. However, the units be permitted to operate with as much flexibility as possible. To obtain economy of scale units resort to various cost cutting measures like combining purchase of raw materials with other units, dispatch of goods in the same conveyance with other units or setting up common user facilities. Such arrangements may be allowed subject to proper and easy accounting of the duty free raw material and capital goods used therein. However, it must be insisted upon and ensured that all movements of goods be recorded in a proper register. Where specific difficulty arises, units may be cost audited with the prior permission of Chief Commissioner.

Sd/-  
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