

EY Tax Alert

CBIC issues clarification on Customs (IGCRS) Rules, 2022

Tax Alerts cover significant tax news, developments and changes in legislation that affect Indian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor.

Executive summary

This Tax Alert summarizes a recent Circular¹ issued by Central Board of Indirect Taxes and Customs (CBIC) on Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022² (IGCRS Rules). These rules supersede the existing Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 (IGCR Rules).

The key clarifications are as follows:

- ▶ Basic contours of IGCR Rules have been retained. Changes made are to broaden the scope of IGCR and capture additional useful data fields in forms.
- ▶ The scope of IGCRS Rules is widened to include cases where imported goods are utilized for specified end use which can be other than manufacturing or providing output services.
- ▶ Where time period for utilization of goods is specified in respective notifications, the said period will apply. If the same is not specified, time period of six months will apply. Jurisdictional Commissioner can extend such period by another three months in cases where the delay in utilization is beyond importer's control.
- ▶ Procedures have been prescribed for immediate re-credit of Bonds by jurisdictional AC/DC, rather than waiting till the time of filing the monthly statement.

¹ Circular No.18 /2022-Customs dated 10 September 2022

² Notification No.74/2022 - Customs (N.T.) dated 9 September 2022

Background

- ▶ Central Board of Indirect Taxes and Customs (CBIC) earlier introduced changes simplifying and automating the procedures in Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 (IGCR Rules)³.
- ▶ CBIC has now notified Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022 (IGCRS Rules)⁴, superseding the existing IGCR Rules.
- ▶ Further, CBIC has issued a Circular⁵ on IGCRS Rules.
- ▶ Changes made through IGCRS rules broaden the scope of IGCR and effectively capture additional data fields in forms [such as IGCR-1, IGCR-3] without disturbing the broad contours of IGCR.
- ▶ Since these rules are not a departure from the existing procedure, all the earlier clarifications provided⁶ will continue to be in effect unless specifically modified by the Circular.

Key clarifications

Time period for utilization of goods

- ▶ When time period for utilization of imported goods is specified in the respective notifications, the said time period will apply. If not specified, the time period of six months will apply.
- ▶ Further, jurisdictional Commissioner has been empowered to extend such period of six months by another three months. Such extension can be granted if the importer furnishes sufficient reason that delay in utilization was beyond the importer's control.

Specified End Use

- ▶ The scope of IGCRS Rules is widened to include cases where imported goods are utilized for specified end use which can be other than manufacturing or providing output services.
- ▶ The end use may be specified by a notification under Section 25(1) [Exemption notification] or under Section 11 of Customs Act, 1962 [Prohibition of import and export of goods].
- ▶ Further, procedural aspects with respect to intimation, generation of a unique IGCR Identification Number (IIN), submission of bond, maintenance of records etc., have also been prescribed for such cases.

Bond & Bank Guarantee

- ▶ The Circular also provides quantum of bank guarantee/cash security/surety applicable for various

importers for extending benefit under IGCRS Rules.

Other clarifications

- ▶ Procedures to be followed under IGCRS rules in following cases have been prescribed:
 - i) Import of Gold under India-UAE Comprehensive Economic Partnership Agreement [CEPA];
 - ii) Import of gold/ silver/platinum by Nominated agencies for replenishment or export against supply by such Agencies.
- ▶ Form IGCR-3A has been prescribed for confirmation of utilization of imported goods for intended purpose. The form can be filed on common portal at any time for immediate re-credit of the bond by the jurisdictional customs authority [AC/DC] without waiting for filing of monthly statement [IGCR-3] on the 10th of the subsequent month.

The details filed in IGCR-3A shall be auto-populated in IGCR-3 of the subsequent month, which needs to be confirmed by the importer.
- ▶ The Directorate General of Systems and Data Management, CBIC is also directed to make necessary changes in the system and issue system advisories for guidance.

Comments

CBIC had introduced simplified system based procedure for IGCR rules through ICEGATE portal. It is expected that new IGCRS rules would help in achieving complete automation of the procedure involved.

Additional data fields prescribed under IGCRS rules would help tax authorities to check and monitor the end use of imported goods.

Enabling extension of time period for utilization of goods and immediate re-credit of bond are taxpayer-friendly measures and a welcome move.

Presently, we understand that there are practical challenges in implementing IGCR rules in ICEGATE portal. The same needs to be addressed by Government for effective implementation of IGCRS rules.

³ Circular No. 04/2022-Customs dated 27 February 2022

⁴ Notification No.74/2022-Customs (N.T.) dated 9 September 2022

⁵ Circular No.18 /2022-Customs dated 10 September 2022

⁶ Circular Nos. 48/2017 dated 8 December 2017,10/2021 dated 17 May 2021 and 04/2022 dated 27 February 2022

