Export Management

Unit 4 Export Procedure and Documentation

Export Procedure:

Introduction:

Export procedure consists of several commercial and regulatory formalities, which an exporter is required to complete during the course of export trade transactions. These formalities are very complex and time-consuming and involve considerable documentation. Hence, the exporters must possess adequate knowledge of such formalities. At the same time, it should be ensured that the rules and regulations of not only exporting country but also of importing country are duly complied with. Last but not least, it should be ensured that all the required documents, whether commercial or regulatory, are prepared and filed with the appropriate authorities.

An export procedure can be studied under the following heads:-
(1) Registration Stage.
(2) Pre-Shipment Stage.
(3) Shipment Stage.
(4) Post-Shipment Stage.

(1) Registration Stage

The exporter is required to register his organisation with a number of institutions and authorities, which directly or indirectly help him in the smooth conduct of export trade. The registration stage includes:-

(a) Registration of the Organisation:

The form of organisation selected bythe exporter must be registered under the appropriate Act of the country.
A joint stock company under the Companies Act, 1956.
A partnership firm under the Indian Partnership Act, 1932.
A sole trader should seek permission from the local authorities, as required.

(b) Opening Bank Account:

The exporter should open a current account inthe name of the firm or company with a commercial bank which is authorised by the Reserve Bank of India (RBI) to deal in foreign exchange. Such bank also serves as a source of pre-shipment and post-shipment finance for the exporter.

(c) Obtaining Importer-Exporter Code Number (IEC No.):

Prior to 1.1.1997, it was obligatory for every exporter to obtain CNX number from the RBI. However, since then, the CNX number has been replaced by IEC number issued by the Director General for Foreign Trade (DGFT). The application form for obtaining IEC number should be accompanied by fee of Rs. 1000.

(d) Obtaining Permanent Account Number (PAN):

Export income is subject to a number of exemptions and deductions under different sections of the Income Tax Act. For claiming such exemptions and deductions, the exporter should register his organisation with the Income Tax Authorities and obtain the Permanent Account Number (PAN).

(e) Obtaining Sales Tax Number: -

Exportable goods are exempted from salestax, provided the exporter or his firm is registered with the Sales Tax Authorities. For this purpose, the exporter is required to make an application in the prescribed form to the Sales Tax Office (STO) in whose jurisdiction his (exporter's) office is situated.

(f) Registration with Export Promotion Council (EPC)–

It is obligatory for every exporter to register with the appropriate Export Promotion Council (EPC) and obtain the Registration-cum-Membership Certificate' (RCMC). The benefits provided in the current EXIM Policy are extended only to the registered exporters having valid RCMC.

(g) Registration with ECGC:

The exporter should also register with the Export Credit and Guarantee Corporation of India (ECGC) in order to secure overseas payments against political and commercial risks. It also helps the exporters in obtaining the financial assistance from commercial banks and other financial institutions.

(h) Registration with other Authorities:

The exporter should also register with various other authorities, such as:-
Federation of Indian Export Organisations (FIEO).
Indian Trade Promotion Organisation (ITPO),
A Chambers of Commerce (COC), Productivity Councils.

(2) Pre-shipment Stage

Pre-shipment stage consists of the following steps:-

(a) Approaching Foreign Buyers:

In order to secure an export order, a new exporter can make use of one or more of the techniques, such as, advertising in international media, sales promotion, public relations, personal selling, publicity and participation in trade fairs and exhibitions.

(b) Inquiry and Offer:

An inquiry is a request from a prospective importer about description of goods, their standard or grade, size, weight or quantity, terms of payments, etc. On getting an inquiry, the exporter must process it immediately by making an offer in the form of a proforma invoice.

(c) Confirmation of Order:

Once the negotiations are completed and the terms and conditions are finalised, the exporter sends three copies of proforma invoice to the importer for the confirmation of order. The importer signs these copies and sends back two copies to the exporter.

(d) Opening Letter of Credit:

The documentary credit or letter of credit is the most appropriate and secured method of payment adopted to settle international transactions. On finalisation of the export contract, the importer opens a letter of credit in favour of the exporter, if agreed upon in the contract.

(e) Arrangement of Pre-shipment Finance:

On securing the letter of credit, the exporter procures a pre-shipment finance from his bank for procuring raw materials and other components, processing and packing of goods and transfer of goods to the port of shipment.

(f) Production or Procurement of Goods:

On securing the pre-shipment finance from the bank, the exporter either arranges for the production of the required goods or procures them from the domestic market as per thespecifications of the importer.

(g) Packing and Marking:

Then the goods should be properly packed and marked with necessary details such as port of shipment and destination, country of origin, gross and net weight, etc. If required, assistance can be taken from the Indian Institute of Packing (IIP).

(h) Pre-shipment Inspection:

If the goods to be exported are subject to compulsory quality control and pre-shipment inspection then the exporter should contact the Export Inspection Agency (EIA) for obtaining an inspection certificate.

(i) Central Excise Clearance:

The exporters are totally exempted from the payment of central excise duty. However, the exemption should be claimedin one of the following ways: - Export under Rebate.
Export under Bond.

(j) Obtaining Insurance Cover:

The exporter must take appropriate policies in order to insure risks:-
ECGE policy in order to cover credit risks.
Marine policy, if the price quotation agreed upon is CIF.

(k) Appointment of C&F Agent:

Since exporting is a complex and time- consuming process, the exporter should appoint a Clearing and Forwarding (C&F) agent for the smooth clearance of goods from the customs and preparation and submission of various export documents.

(3) Shipment Stage

Export cargo can be exported to the overseas buyer by sea, air or land. However, shipment by sea is the most popular and generally resorted to, as it is comparatively cheaper. Besides, the ship's capacity is far greater than other modes of transportation. Nevertheless, transportation by air is utilised for export of expensive items like, diamonds, gold, etc. The shipment stage includes the following steps:-

(a) Reservation of Shipping Space:

Once the export contract is finalised, the exporter reserves the required space in the vessel for shipment. On accepting the exporter's request, the shipping company issues a Shipping Order. The original copy of the shipping order is given to the exporter and the duplicate is sent to the commanding officer of the ship. The shipping order is an instruction by the shipping company to the commanding officer of the ship that the goods as per the details given should be received on board.

(b) Arrangement of Internal Transportation up to the Port of Shipment: -

The exporter makes necessary arrangements for transportation of goods to the port either by road or railways. On loading goods into the railway wagon, the railway authorities issue a 'Railway Receipt, which may be either freight paid' or 'freight to pay. It serves as a title to the goods. The exporter endorses the railway receipt in favour of his agent to enable him to take delivery of the goods at the port of shipment.

(c) Preparation and Processing of Shipping Documents:

As the goods reaches the port of shipment, the exporter should issue detailed instructions to the C&F agent for the shipment of cargo along with acomplete set of the documents listed below:-

- Letter of Credit along with the export contract or export order.
- Commercial Invoice (2 copies)
- Packing List or Packing Note.
- Certificate of Origin.
- GR Form (original and duplicate)
- ARE-1 Form.
- Certificate of Inspection, where necessary (original)
- Marine Insurance Policy.

(d) Customs Clearance:

The cargo must be cleared from the Custorns before it is loaded on the ship. For this, the above mentioned documents, alongwith with five copies of shipping bill, are to be submitted to the Customs Appraiser at the Customs House. The Customs Appraiser ensures that all the formalities relating to exchange control, quality control, pre-shipment inspection and licensing have been complied with by the exporter. After verification, all documents, except the original GR, original copy of Shipping Bill and one copy of Commercial Invoice, are returned to the C&F agent.

(e) Obtaining 'Carting Order' from the Port Trust Authorities:

The C&F agent, then, approaches the Superintendent of the concerned Port Trust for obtaining the Carting Order for moving the cargo inside the dock. After obtaining the Carting Order, the cargo is physically moved into the port area and stored in the appropriate shed.

(f) Customs Examination and Issue of 'Let Export Order:

The Customs Examiner at the port of shipment physically examines the goods and seals the packages in his presence. The same can be arranged for at the factory or warehouse of the exporter by making an application to the Assistant Collector of Customs. The Customs Examiner, if satisfied, issues a formal permission for the loading of cargo on the ship in the form of a 'Let Export Order'.

(g) Obtaining 'Let Ship Order from the Customs Preventive Officer:-

Let Export Order must be supplemented by a 'Let Ship Order' issued by the Customs Preventive Officer. The C&F agent submits the duplicate copy of Shipping Bill, duly endorsed by the Customs Examiner, to the Customs Preventive Officer who endorses it with the 'Let Ship Order'.

(h) Obtaining Mate's Receipt and Bill of Lading:

The goods are then loaded on board the ship for which the Mate or the Captain of the ship issues Mate's Receipt to the Port Superintendent. The Port Superintendent, on receipt of port dues, hands over the Mate's Receipt to the C&F Agent. The C&F Agent surrenders the Mate's Receipt to the Shipping Company for obtaining the Bill of Lading. The Shipping Company issues two to three negotiable and two to three non-negotiable copies of Bill of Lading.

(4) Post-Shipment Stage

The post-shipment stage consists of the following steps:-

(a) Submission of Documents by the C&F Agent to the Exporter:

On the completion of the shipping procedure, the C&F agent submits the followingdocuments to the exporter-

- A copy of invoice duly attested by the Customs.
- Drawback copy of the shipping bill.
- Export promotion copy of the shipping bill.
- A full set of negotiable and non-negotiable copies of bill of lading.
- The original L/C, export order or contract.
- Duplicate copy of the ARE-1 form.

(b) Shipment Advice to Importer:

After the shipment of goods, the exporter intimates the importer about the shipment of goods giving him details about the date of shipment, the name of the vessel, the destination, etc. He should also send one copy of non-negotiable bill of lading to the importer.

(c) Presentation of Documents to Bank for Negotiation:

Submission of relevant documents to the bank and the process of getting the payment from the bank is called "Negotiation of the Documents" and the documents are called 'Negotiable Set of Documents'. The set normally contains: -

- Bill of exchange, Sight Draft or Usance Draft.
- Full set of Bill of Lading or Airway Bill.
- Original Letter of Credit.
- Customs Invoice.
- Commercial Invoice including one copy duly certified by the Customs.
- Packing List.
- Foreign exchange declaration forms, GR/SOFTEX/PP forms in duplicate.
- Exchange control copy of the Shipping Bill.
- Certificate of Origin, GSP or APR Certificate, etc.
- Marine Insurance Policy, in duplicate.

(d) Despatch of Documents:

The bank negotiates these documents to the importer's bank in the manner as specified in the L/C. Before negotiating documents, the exporter's bank scrutinises them in order to ensure that all formalities have been complied with and all documents are in order. The bank then sends the Bank Certificate and attested copies of commercial invoice to the exporter.

(e) Acceptance of the Bill of Exchange–

Bill of exchange accompanied by the above documents is known as the Documentary Bill of Exchange. It is of two types:-

- **Documents against Payment (Sight Drafts):-** In case of sight draft, the drawer instructs the bank to hand over the relevant documents to the importer only against payment.

- **Documents against Acceptance (Usance Draft):** In case of usance draft, the drawer instructs the bank to hand over the relevant documents to the importer against his 'acceptance' of the bill of exchange.

(f) Letter of Indemnity:

The exporter can get immediate payment from hisbank on the submission of documents by signing a letter of indemnity. By signing the letter of indemnity the exporter undertakes to indemnify the bank in the event of non-receipt of payment from the importer along with accrued interests.

(g) Realisation of Export Proceeds–

On receiving the documentary bill of exchange, the importer releases payment in case of sight draft or accepts the usance draft undertaking to pay on maturity of the bill of exchange. The exporter's bank receives the payment through importer's bank and is credited to exporter's account.

(h) Processing of GR Form:

On receiving the export proceeds, the exporter'sbank intimates the same to the RBI by recording the fact on the duplicate copy of GR. The RBI verifies the details in duplicate copy of GR with the original copy of GR received from the Customs. If the details are found to be in order then the export transaction is treated to be completed.

(i) Realisation of Export Incentives:

If the exporter is eligible for export incentives, then he should submit claim for the same accompanied by the bank certificate to the appropriate authority.

Export Documentation:

1) Aligned Documentation System

Aligned Documentation System (ADS) is based on the UN layout key. Under this system, different forms used in the international trade transaction are printed on paper of the same size and in such way that the common items of information are given the same relative slots in each of the documents.

For the purpose of Aligned Documentation System documents, have been classified as under:-

(a) Commercial Documents:
Commercial documents are required for effecting physical transfer of goods and their title from the exporter to the importer and the realisation of export sale proceeds. Out of the 16 commercial documents in the export documentation framework as many as 14 have been standardised and aligned to one another. These are proforma invoice, commercial invoice, packing list, shipping instructions, intimation for inspection, certificate of inspection of quality control, insurance declaration, certificate of insurance, mate's receipt, and bill of lading or combined transport document, application for certificate origin, certificate of origin, shipment advice and letter to the bank for collection or negotiation of documents.

Shipping order and bill of exchange could not be brought within the fold of the Aligned Documentation System.

(b) Regulatory Documents:
Regulatory pre-shipment export documents areprescribed by the different government departments and bodies in order tocomply with various rules and regulations under the relevant laws governingexport trade such as export inspection, foreign exchange regulation, exporttrade control, customs, etc. Out of 9 regulatory documents four have beenstandardised and aligned. These are shipping bill or bill of export, exchangecontrol declaration (GR from), export application dock challan or port trustcopy of shipping bill and receipt for payment of port charges.

2) Computerisation of Export Documents:

(a) Paper Size and Specifications for Commercial Documents: - All the commercial documents under the ADS system have been standardised as under:-

- Paper Specification: All documents are to be prepared on A4 size paper, measuring 297 mm X 210 mm.

- Margin Requirements: - Standard margins - 10 mm top, 20 mm left, 6mm right and 7 mm bottom.

- Inside Measurements: - The inside measurements are 184 mm in widthand 280 mm in length.

- Individual Boxes: - The size of the individual boxes should be strictly as per specifications. A maximum tolerance of +/- 1 mm is allowed.

- Caption Boxes :- Captions inside boxes should be printed in 6 pt. san serif face and should be located as near as possible to the top left of the boxes.

- Paper Quality: - As the documents are to be generated mechanically, all concerned should use papers with grammage of 70 to 85.

- Paper Humidity: The paper should be stable in conditions of 50% to 60% relative humidity.

(b) Paper Size and specifications of Regulatory Documents: - All the regulatory documents under the ADS system have been standardised as under:-

- Paper Specification - All documents are to be prepared on foolscap size of paper measuring 34.5 cms * 21.5 cms.

- Margin Requirements: - Standard margins - top 1.5 cms, bottom 1.5 cms, left 1.8 cms and right 0.5 cms.

- Inside Measurements: The inside measurements are 31.5 cms in width and 19.3 cms in length.

- Individual Boxes: - The size of the individual boxes should be strictly as per specifications. A maximum tolerance of +/- 1 mm is allowed.

- Caption Boxes :- Captions inside boxes should be printed in 6 pt. san serif face and should be located as near as possible to the top left of the boxes.

- Paper Quality: As the documents are to be generated mechanically, all concerned should use papers with grammage of 70 to 85.

- Paper Humidity: The paper should be stable in conditions of 50% to60% relative humidity.

With the adoption of the Aligned Documentation System involving the use of two Master Documents System it would be possible for the exporters and other concerned agencies/bodies to avail themselves of the advantages of systems approach to export documentation.

Many exporters have developed their own computer software system of preparing standardised pre-shipment documents and the others are still using the same old typing method of each and every document separately. These

Commercial and Regulatory documents are available with the Chambers of Commerce or private stationers.

3) <u>Proforma Invoice:</u>

The starting point of the export contract is in the form of offer made by the exporter to the foreign customer. The offer made by the exporter is in the form of a proforma invoice. It is a quotation given as a reply to an inquiry. It normally forms the basis of all trade transactions.

<u>Contents of Proforma Invoice:-</u>

(a) Name and address of the exporter.
(b) Name and address of the importer.
(c) Mode of transportation, such as Sea or Air or Multimodal transport.
(d) Name of the port of loading.
(e) Name of the port of discharge and final destination.
(f) Provisional invoice number and date.
(g) Exporter's reference number.
(h) Buyer's reference number and date.
(i) Name of the country of origin of goods.
(j) Name of the country of final destination.
(k) Marks and container number.
(l) Number and packing description.
(m) Description of goods giving details of quantity, rate and total amount in terms of internationally accepted price quotation.
(n) Signature of the exporter with date.

<u>Importance of Proforma Invoice</u>

(a) It forms the basis of all trade transactions.
(b) It may be useful for the importer in obtaining import licence or foreignexchange.

4) <u>Commercial Invoice:</u>

Commercial invoice is an important and basic export document. It is also known as a Document of Contents' as it contains all the information required for the preparation of other documents. It is actually a seller's bill of merchandise. It is prepared by the exporter after the execution of export order giving details about the goods shipped. It is essential that the invoice is prepared in the name of the buyer or the consignee mentioned in the letter of credit.

It is a prima facie evidence of the contract of sale or purchase and therefore, must be prepared strictly in accordance with the contract of sale.

<u>Contents of Commercial Invoice:</u>

(a) Name and address of the exporter.
(b) Name and address of the consignee.

(c) Name and the number of Vessel or Flight.
(d) Name of the port of loading.
(e) Name of the port of discharge and final destination.
(f) Invoice number and date.
(g) Exporter's reference number.
(h) Buyer's reference number and date.
(i) Name of the country of origin of goods.
(j) Name of the country of final destination.
(k) Terms of delivery and payment.
(l) Marks and container number.
(m) Number and packing description.
(n) Description of goods giving details of quantity, rate and total amount in terms of internationally accepted price quotation.
(o) Signature of the exporter with date.

Significance of Commercial Invoice

(a) It is the basic document useful in preparation of various other shipping documents.
(b) It is used in various export formalities such as quality and pre-shipment inspection, excise and custom procedure etc.
(c) It is also useful in negotiation of documents for collection and claim of incentives.
(d) It is useful for accounting purposes to both exporters as well as importers.

5) **Packing List:**

The exporter prepares the packing list to facilitate the buyer to check the shipment. It contains the detailed description of the goods packed in each case, their gross and net weight, etc. The difference between a packing note and a packing list is that the packing note contains the particulars of the contents of an individual pack, while the packing list is a consolidated statement of the contents of a number of cases or packs.

Contents of Commercial Invoice

(a) Name and address of the exporter.
(b) Name and address of the consignee.
(c) Name and the number of Vessel or Flight.
(d) Name of the port of loading.
(e) Name of the port of discharge and final destination.
(f) Invoice number and date.
(g) Name of the country of origin of goods.
(h) Name of the country of final destination.
(i) Marks and container number.
(j) Number and packing description.
(k) Description of goods in terms of quantity and special remarks, if any.
(1) Signature of the exporter with date.

Normally, ten copies of the packing note/list should be prepared. The first is to be sent with the shipping documents, two copies in advance to the buyer, one to the shipping agent and the remaining retained by the exporter.

6) Mate's Receipt:

Mate's receipt is a receipt issued by the Commanding Officer of the ship when the cargo is loaded on the ship. The mate's receipt is a prima facie evidence that goods are loaded in the vessel. The mate's receipt is first handed over to the Port Trust Authorities. After making payment of all port dues, the exporter of his agent collects the mate's receipt from the Port Trust Authorities. The mate's receipt is freely transferable. It must be handed over to the shipping company in order to get the bill of lading. Bill of lading is prepared on the basis of the mate's receipt.

Types of Mate's Receipts

(a) Clean Mate's Receipt: - The Commanding Officer of the ship issues a cleanmate's receipt, if he is satisfied that the goods are packed properly and there is no defect in the packing of the cargo or package.

(b) Qualified Mate's Receipt: - The Commanding Officer of the ship issues a qualified mate's receipt, when the goods are not packed properly and the shipping company does not take any responsibility of damage to the goods during transit.

Contents of Mate's Receipt

(a) Name and logo of the shipping line.
(b) Name and address of the shipper.
(c)Name and the number of vessel.
(d) Name of the port of loading.
(e) Name of the port of discharge and place of delivery.
(f) Marks and container number.
(g) Packing and container description.
(h) Total number of containers and packages.
(i) Description of goods in terms of quantity.
(j) Container status and seal number.
(k)Gross weight in kg, and volume in terms of cubic metres.
(l) Shipping bill number and date.
(m) Signature and initials of the Chief Officer.

Significance of Mate's Receipt:

(a) It is an acknowledgement of goods received for export on board the ship.
(b) It is a transferable document. It must be handed over to the shipping company in order to get the bill of lading.
(c) Bill of lading, which is the title of goods, is prepared on the basis of themate's receipt.

(d)It enables the exporter to clear port trust dues to the Port Trust Authorities.

7) Bill of Lading:

The bill of lading is a document issued by the shipping company or its agent acknowledging the receipt of goods on board the vessel, and undertaking to deliver the goods in the like order and condition as received, to the consignee or been duly paid. It is also a document of title to the goods and, as such, is freely is order, provided the freight and other charges as specified in the bill havetransferable by endorsement and delivery.

Bill of Lading serves three main purposes:

- As a document of title to the goods;
- As a receipt from the shipping company; and
- As a contract for the transportation of goods.

Types of Bill of Lading

- Clean Bill of Lading: A bill of lading acknowledging receipt of the goods apparently in good order and condition and without any qualification is termed as a clean bill of lading.

- Claused Bill of Lading: A bill of lading qualified with certain adverse remarks such as, "goods insufficiently packed in accordance with the Carriage of Goods by Sea Act," is termed as a claused bill of lading.

- Transhipment or Through Bill of Lading: When the carrier uses other transport facilities, such as rail, road or another steamship company in addition to his own, the carrier issues a through or transhipment bill of lading.

- Stale Bill of Lading: - A bill of lading that has been held too long before it is passed on to a bank for negotiation or to the consignee is called a stale bill of lading.

- Freight Paid Bill of Lading: When freight is paid at the time of shipment or in advance, the bill of landing is marked, freight paid. Such bill of lading is known as freight bill of lading.

- Freight Collect Bill of lading: When the freight is not paid and is to be collected from the consignee on the arrival of the goods, the bill of lading is marked, freight collect and is known as freight collect bill of lading.

Contents of Bill of Lading

(a) Name and logo of the shipping line.

(b) Name and address of the shipper.
(c) Name and the number of vessel.
(d) Name of the port of loading.
(e) Name of the port of discharge and place of delivery.
(f) Marks and container number.
(g) Packing and container description.
(h) Total number of containers and packages.
(i) Description of goods in terms of quantity.
(j) Container status and seal number.
(k) Gross weight in kg, and volume in terms of cubic metres.
(1) Amount of freight paid or payable.
(m) Shipping bill number and date.
(n) Signature and initials of the Chief Officer.

Significance of Bill of Lading for Exporters

(a) It is a contract between the shipper and the shipping company for the carriage of the goods to the port of destination.
(b) It is an acknowledgement indicating that the goods mentioned in the document have been received on board for the purpose of shipment.
(c)A clean bill of lading certifies that the goods received on board the ship are in order and good condition.
(d) It is useful for claiming incentives offered by the government to exporters.
(e) The exporter can claim damages from the shipping company if the goods are lost or damaged after the issue of a clean bill of lading.

Significance of Bill of Lading for Importers

(a) It acts as a document of title to goods, which is transferable by endorsement and delivery.
(b) The exporter sends the bill of lading to the bank of the importerso as to enable him to take the delivery of goods.
(c) The exporter can give advance intimation to the foreign buyer about the shipment of goods by sending him a non-negotiable copy of bill of lading.

Significance of Bill of Lading for Shipping Company

(a) It is useful to the shipping company for collection of transport charges from the importer, if not collected from the exporter.

8) Certificate of Origin:

The importers in several countries require a certificate of origin without whichclearance to import is refused. The certificate of origin states that the goods exported are originally manufactured in the country whose name is mentioned in the certificate. Certificate of origin is required when:-

(a) The goods produced in a particular country are subject to preferential tariff rates in the foreign market at the time of importation.

(b) The goods produced in a particular country are banned for import in theforeign market.

Types of the Certificate of Origin

(a) Non-preferential Certificate of Origin: Non-preferential certificate of origin is required in general by all countries for clearance of goods by the importer, on which no preferential tariff is given. It is issued by: -
- The authorised Chamber of Commerce of the exporting country.
- Trade Association of the exporting country.

(b) Certificate of Origin for availing Concessions under GSP: Certificate of origin required for availing of concessions under Generalised System of Preferences (GSP) extended by certain countries such as France, Germany, Italy, BENELUX countries, UK, Australia, Japan, USA, etc. This certificatecan be obtained from specialised agencies, namely;
- Export Inspection Agencies.
- Jt. Director General of Foreign Trade.
- Commodity Boards and their regional offices.
- Development Commissioner, Handicrafts.
- Textile Committees for textile products.
- Marine Products Export Development Authority for marine products.
- Development Commissioners of EPZs.

(c) Certificate for availing Concessions under Commonwealth Preferences (CWP): Certificate of origin for the purpose of Commonwealth Preference is also known as Combined Certificate of Origin and Value. It is required bytwo member countries, i.e., Canada and Commonwealth. For concession under Commonwealth preferences, the certificates or origin have to be submitted in special forms obtainable from the High Commission of the country concerned.

(d) Certificate for availing Concessions under other Systems of Preference:- Certificate of origin is also required for tariff concessions under the Global System of Trade Preferences (GSTP), Bangkok Agreement (BA) and SAARC Preferential Trading Arrangement (SAPTA) under which India grants and receives tariff concessions on imports and exports. Export Inspection Council (EIC) is the sole authority to print blank Certificates of Origin under BA, SAARC and SAPTA which can be issued by such agencies as EPCS, DCs of EPZS, EIC, APEDA, MPEDA, FIEO, etc.

Contents of Certificate of Origin:

(a) Name and logo of chamber of commerce.
(b) Name and address of the exporter.
(c) Name and address of the consignee.
(d) Name and the number of Vessel of Flight.
(e) Name of the port of loading.
(f) Name of the port of discharge and place of delivery.

(g) Marks and container number.
(h) Packing and container description.
(i) Total number of containers and packages.
(j) Description of goods in terms of quantity.
(k) Signature and initials of the concerned officer of the issuing authority.
(1) Seal of the issuing authority.

<u>Significance of the Certificate of Origin</u>

(a) Certificate of origin is required for availing of concessions under Generalised System of Preferences (GSP) as well as under Commonwealth Preferences (CWP).
(b) It is to be submitted to the customs for the assessment of duty and clearance of goods with concessional duty.
(c) It is required when the goods produced in a particular country are bannedfor import in the foreign market.
(d) It helps the buyer in adhering to the import regulations of the country.
(e) Sometimes, in order to ensures that goods bought from some other country have not been reshipped by a seller, a certificate of origin is required.

9) <u>Shipping Bill:</u>

Shipping bill is the main customs document, required by the customs authorities for granting permission for the shipment of goods. The cargo is moved inside the dock area only after the shipping bill is duly stamped, ie, certified by the customs. Shipping bill is normally prepared in five copies:

(a) Customs copy.
(b) Drawback copy.
(c) Export promotion copy.
(d) Port trust copy.
(e) Exporter's copy.

<u>Types of Shipping Bill</u>

Based on the incentives offered by the government, customs authorities have introduced three types of shipping bills:-

(a) <u>Drawback Shipping Bill</u>:- Drawback shipping bill is useful for claiming the customs drawback against goods exported.

(b) <u>Dutiable Shipping Bill</u>: - Dutiable shipping bill is required for goods which are subject to export duty.

(c) <u>Duty-free Shipping Bill</u>: - Duty-free shipping bill is useful for exporting thegoods on which there is no export duty.

In order to facilitate easy recognition and quick processing, following colours have been provided to different kinds of shipping bills:-

Types of goods	By Sea	By Air
Drawback Shipping Bill	Green	Green
Dutiable Shipping Bill	Yellow	Pink
Duty-free Shipping Bill	White	Pink

Contents of Shipping Bill

(a) Name and address of the exporter.
(b) Name and address of the importer.
(c) Name of the vessel, master or agents and flag.
(d) Name of the port at which goods are to be discharged.
(e) Country of final destination.
(f) Details about packages, description of goods, marks and numbers, quantityand details of each case.
(g) FOB price and real value of goods as defined in the Sea Customs Act.
(h) Whether Indian or foreign merchandise to be re-exported
(i) Total number of packages with total weight and value.

Significance of Shipping Bill

(a) Shipping bill is the main customs document, required by the customs authorities for granting permission for the shipment of goods.
(b) The cargo is moved inside the dock area only after the shipping bill is dulystamped, i.e., certified by the customs.
(c) Duly endorsed shipping bill is also necessary for the collection of export incentives offered by the government.
(d) It is useful to the Customs Appraiser while determining the actual value ofgoods exported.

10) Consular Invoice:

Consular invoice is a document required mainly by the Latin American countries like Kenya, Uganda, Tanzania, Mauritius, New Zealand, Myanmar, Iraq, Australia, Fiji, Cyprus, Nigeria, Ghana, Guinea, Zanzibar, etc. This invoice is the most important document, which needs to be submitted for certification to the Embassy of the importing country concerned. The main purpose of the consular invoice is to enable the authorities of the importing country to collect accurate information about the volume, value, quality, grade, source, etc., of the goods imported for the purpose of assessing import duties and also for statistical purposes.

In order to obtain consular invoice, the exporter is required to submit three copies of invoice to the Consulate of the importing country concerned. The Consulate of the importing country certifies them in return for fees. One copy of the invoice is given to the exporter while the other two are despatched to the customs office of theimporter's country for the calculation of the import duty. The exporter negotiates a copy of the consular invoice to the importer alongwith other shipping documents.

Significance of Consular Invoice for the Exporter

(a) It facilitates quick clearance of goods from the customs in exporter's as well as importer's country.
(b) Certification of goods by the Consulate of the importing country indicates that the importer has fulfilled all procedural and licensing formalities for import of goods.
(c) It also assures the exporter of the payment from the importing country.

Significance of Consular Invoice for the Importer

(a) It facilitates quick clearance of goods from the customs at the port of destination and therefore, the importer gets quick delivery of goods.
(b) The importer is assured that the goods imported are not banned for imports in his country.

Significance of Consular Invoice for the Customs Office

(a) It makes the task of the customs authorities easy.
(b) It facilitates quick calculation of duties as the value of goods as determined by the Consulate is considered for the purpose.

11) Bill of Entry:

When goods are imported in a particular country, the importer has to pay the necessary import duty. For this purpose, necessary information about the goods imported must be given to the customs authorities in a prescribed form called bill of entry form. Bill of entry is a document, which states that the goods of the stated values and description in the specified quantity have entered into the country from abroad. The bill of entry is drawn in triplicate. The customs authorities may ask the importer to supply other documents like invoice, broker's note and insurance policy, etc. in order to verify the correctness of the information supplied in the bill of entry form.

For the purpose of giving information in the bill of entry form, goods are classified into three categories namely:-

(a) Free Goods: Where the goods imported are not subject to any customs duty.
(b) Goods for Home Consumption: Where the goods imported for self consumption.
(c) Bonded Goods: - Where the goods imported are subject to customs duty, the goods are kept in bond till the duty is paid.

The importer has to fill up a separate bill of entry form for different classes of goods. In India, separate forms are not used but all the entries are made in one form. The free goods are marked as free in the entry form itself. The importer has to pay the duty before securing the possession of the goods.

Contents of Bill of Entry:

(a) Name and address of the importer.
(b) Name and address of the exporter.
(c) Import licence number of the importer.
(d) Name of the port/dock where goods are to
(e) Description of goods.
(f) Value of goods.
(g) Rate and amount of import duty payable.
(h) Other relevant documents.

12) Airway Bill:

An airway bill, also called an air consignment note, is a receipt issued by an airline for the carriage of goods. As each shipping company has its own bill of lading, so each airline has its own airway bill.

Airway Bill of Air Consignment Note is not treated as a document of title and is not issued in negotiable form.

Contents of Airway Bill

(a) Name of the airport of departure and destination.
(b) The names and addresses of the consignor, consignee and the first carrier.
(c) Marks and container number.
(d) Packing and container description.
(e) Total number of containers and packages.
(f) Description of goods in terms of quantity.
(g) Container status and seal number.
(h) Amount of freight paid or payable.
(i) Signature and initials of the issuing carrier or his agent.

Importance of Airway Bill

(a) It is a contract between the airlines or his agent to carry goods to the destination.
(b) It is the document of instructions for the airline handling staff.
(c) It acts as a customs declaration form.
(d) Since, it contains details about freight it also represents freight bill.

13) GR Form:

GR Form is an exchange control document required by the Reserve Bank of India (RBI). As per the exchange control regulations, an exporter has to realise the proceeds of the goods he has exported within 180 days of their shipment from India. In order to ensure this, the RBI has introduced the GR procedure.

GR form is to be submitted in duplicate to the Customs at the port of shipment along with the shipping bill. Customs will give their running serial number on both the copies after admitting the customs shipping bill. Customs authorities will certify the value declared by the exporter on both the copies of the GR form at the space earmarked and will also record the assessed value. They will then return the duplicate copy of the form to the exporter and retain the original for transmission to the RBI. Within 21 days from the shipment of goods, exporter must lodge the duplicate copy of GR together with relative shipping documents with the authorised dealer named in the GR form for negotiation of export bills.

After the documents have been negotiated, the authorised dealer will report the transaction to the RBI. The duplicate copy of GR form together with a copy invoice will be retained by the authorised dealer till full export proceeds have been realised and thereafter submitted to the RBI.

On account of introduction of Electronic Data Interchange (EDI) System at certain customs offices where shipping bills are processed electronically, the existing declaration in GR form has been replaced by a declaration in form SDF (Statutory Declaration Form).

14) Letter of Credit:

Letter of credit is a document issued by the importer's bank in favour of the exporter giving him the authority to draw bills up to a particular amount (as per the contract price) covering specified shipment of goods and assuring him of payment against the delivery of shipping documents.

The operations of Letters of Credit have been regulated and are governed by the articles of Uniform Customs and Practice for Documentary Credits' of International Chamber of Commerce adopted by more than 165 countries which were latest revised in 1993 for implementation w.e.f. 1st January 1994.

Parties to Letter of Credit

The following parties are involved in the operation of a letter of credit:-

(a) Applicant or Opener: The applicant or opener is the buyer or importer of goods who opens the letter of credit through his bank in favour of exporter.

(b) Beneficiary: Beneficiary is the exporter of goods in whose favour the letter of credit is opened by the importer through his bank.

(c) Issuing Bank - Issuing bank is the importer's bank, who issues a letter of credit in favour of the exporter on the request of the importer.

(d) Advising Bank: Advising bank is the branch of issuing bank situated in the exporter's country. Such branch receives the letter of credit and looks after its onward transmission to the beneficiary.

(e) Confirming Bank: - Confirming bank is the bank situated in the exporter's country which guarantees the credit on the request of the issuing bank. Many times, the advising bank and confirming bank are one and the same.

(f) Negotiating Bank: Negotiating bank is a bank situated in the exporter's country through which documents are negotiated by the exporters, i.e., exporter's bank.

The following are the types of letter of credit:-

(a) Revocable and Irrevocable Letter of Credit:

Revocable letter of credit can be withdrawn, cancelled or modified by the issuing bank at any time without the prior consent of the beneficiary. However, the issuing bank has to give a notice to the exporter after revoking the letter of credit: Since, revocable letter of credit is very risky; exporters do not accept such letter of credit.

Irrevocable letter of credit cannot be withdrawn, cancelled or modified without the prior consent of the beneficiary or the other parties involved in the transaction such as confirming bank. Exporters, normally, prefer an irrecoverable letter of credit.

(b) With Recourse or Without Recourse Letter of Credit:

The revocable and irrevocable letter of credit can be further classified into 'With Recourse' and Without Recourse letter of credit. In the case of With Recourse' letter of credit the exporter is held liable to the negotiating bank, if the importer or issuing bank fails to make payments.

In the case of "Without Recourse letter of credit the negotiating bank has no recourse to the exporter, but only to the issuing bank or to the confirming bank in the event of the dishonour of the letter of credit.

(c) Confirmed and Unconfirmed Letter of Credit:

In the case of a confirmed letter of credit an exporter has an additional guarantee from a local bank, in addition to the one given by the issuing bank. Thus, the confirmed letter of credit carries guarantee from two banks, i.e., the issuing bank and the confirming bank.

Unconfirmed letter of credit is one, which is not supplemented by additional guarantee from a bank in exporter's country.

(d) Transferable and Non-transferable Letter of Credit:

A transferable letter of credit can be transferred to one or more parties either fully or partly. However, the issuing bank must be informed about such transfer.

A non-transferable letter of credit cannot be transferred to a third party. Usually, all letters of credits are non transferable, unless and until so stated in them.

(e) Fixed and Revolving Letter of Credit:

A fixed letter of credit is issued for a fixed amount and for a fixed period of time. In this case, an exporter has a right to draw bills of a specified amount within a stipulated time period. The letter of credit is valid till the exhaustion of the fixed amount or the expiry of the stipulated period, whichever is earlier.

A revolving letter of credit is not subject to exhaustion. It is renewed automatically for the same amount and the same period once it is utilised. Such letter of credit is useful when two parties have frequent dealings between them for a fixed amount.

(f) Clean and Restricted Letter of Credit::

When the issuing bank does not put any condition regarding the negotiation of export documents, the letter of credit is referred to as a clean letter of credit.

When the issuing bank puts a condition regarding the negotiation of export documents through a specific bank, the letter of credit is referred to as a restricted letter of credit.

(g) Red Clause and Green Clause Letter of Credit:

'Red Clause letter of credit is one which authorises the exporter to obtain pre-shipment finance from his bank. Such finance is guaranteed by the issuing bank and is generally printed or typed in red ink. Hence, such letter of credit is known as a 'Red Clause' letter of credit.
A Green Clause' letter of credit, in addition to permitting pre-shipment finance, provides the storage facilities to the exporter at the port of shipment. Such facilities are extended by the issuing bank and is generally printed or typed in green ink. Hence, such letter of credit is known as a Green Clause' letter of credit.

(h) Back-to-Back Letter of Credit :-

Back-to-back letter of credit is one, which can be opened in favour of the local suppliers for the supply of raw materials required for undertaking export production or for the supply of goods required for export purpose on credit basis. It is a kind of pre- shipment finance procured by the exporter for the processing of export order.

(i) Documentary Letter of Credit:

Generally all letters of credits are documentary letter of credit. In the case of documentary letter of credit, the payment is released by the issuing bank against the submission of the full set of documents as mentioned under:-

- Bill of Lading.
- Shipping Bill.
- Commercial Invoice.
- Packing List.
- Certificate of Origin.
- Certificate of pre-shipment quality inspection.
- Marine Insurance Policy.
- GSP/CWP certificate.
- Bill of exchange.
- Any other document if required.