



SECTION - 2

IMPORT AND EXPORT PROCEDURES & PRACTICES

This Section includes

- **Procedures for Imports**
- **Export Procedures**

Important Note:

The import and export trade of a country is governed by the country's governmental policies, rules and regulations. Detailed procedures covering every aspect of the trade are available, and the subject is a matter of extensive study as a separate discipline. These are further backed with extensive documentation, inspection and assessment procedures. The number of intermediaries involved in the process is also numerous.

This chapter, therefore, only provides a glimpse of the process. The student is well advised to refer to the relevant rules and regulations laid down by the Ministries of Finance, Commerce, and various authorities such as the Office of the Director General of Foreign Trade.

2.1 PROCEDURES FOR IMPORTS

2.1.1 Import Restrictions

Licensing, Quotas And Prohibitions:

Import approval is based on compliance with procedures whereby specific items may be imported by certain types of importers under certain types of licences. Importers are divided into three categories for the purpose of import licensing:

1. actual users; An actual user applies for and receives a licence to import any item or an allotment of an imported item as required for his own use, not for business or trade in that item.
2. registered exporters; defined as those who have a valid registration certificate issued by an export promotion council, commodity board or other registered authority designated by the Government for purposes of export-promotion.
3. others.

The two types of actual user licence are:

1. general currency area licences which are valid for imports from all countries, except those countries from which imports are prohibited;
2. specific licences which are valid for imports from a specific country or countries. Aside from the types of licences listed, the Open General Licence is perhaps the most liberalized type of licence available for certain items and certain types of importers.



Licences are valid for 24 months for capital goods and 18 months for raw materials components, consumable and spares, with the licence term renewable. Import licences may be obtained from the director general of foreign trade (Office of Chief Controller of Imports and Exports, Ministry of Commerce, Udyog Bhawan, New Delhi 110011). Traders are advised to consult the Handbook of Procedures which is published by the Ministry of Commerce and is part of the Import and Export Policy for further details.

2.1.2 The importer importing the goods has to follow prescribed procedures for import by ship/air/road. There is separate procedure for goods imported as a baggage or by post.

2.1.3 Bill of Entry

1. This is a very vital and important document which every importer has to submit under section 46. The Bill of Entry should be in prescribed form.
2. Bill of Entry should be submitted in quadruplicate – original and duplicate for customs, triplicate for the importer and fourth copy is meant for bank for making remittances.
3. A BIN (Business Identification Number) is allotted to each importer and exporter w.e.f. 1.4.2001.
4. It is a 15 digit code based on PAN of Income Tax (PAN is a 10 digit code). [Earlier an EC (Import Export code) number issued by DGFT was required to be mentioned on Bill of Entry].

2.1.4 Documents to be submitted by Importer are

1. Invoice
2. Packing List
3. Bill of Landing / Delivery Order
4. GATT declaration form duly filled in
5. Importers / CHAs declaration duly signed
6. Import Licence or attested photocopy when clearance is under licence
7. Letter of Credit / Bank Draft wherever necessary
8. Insurance memo or insurance policy
9. Industrial License if required
10. Certificate of country of origin, if preferential rate is claimed.
11. Technical literature.
12. Test report in case of chemicals
13. Advance License / DEPB in original, where applicable
14. Split up of value of spares, components and machinery
15. No commission declaration. – A declaration in prescribed form about correctness of information should be submitted. – *Chapter 3 Para 6 and 7 of CBE&C's Customs Manual, 2001.*



- 2.1.5 Electronic submission under EDI system – Where EDI system is implemented, formal submission of Bill of Entry is not required, as it is generated in computer system.
- 2.1.6 Importer should submit declaration in electronic format to 'Service Centre'. A signed paper copy of declaration for non-repudiability should be submitted.
- 2.1.7 Bill of Entry number is generated by system which is endorsed on printed check list. Original documents are to be submitted only at the stage of examination.
- 2.1.8 Assessment of Duty and Clearance:** The documents submitted by importer are checked and assessed by Customs authorities and then goods are cleared.
- 2.1.9 Payment of Customs Duty** - After assessment of duty, necessary duty is paid. Regular importers and Custom House Agents keep current account with Customs department. The duty can be debited to such current account, or it can be paid in cash/DD through TR-6 challan in designated banks.

After payment of duty, if goods were already examined, delivery of goods can be taken from custodians (port trust) after paying their dues.

2.2 EXPORT PROCEDURES

- 2.2.1 Documents Required: Certain documentation takes place while exporting from India. Special documents may be required depending on the type of product or destination. Certain export products may require a quality control inspection certificate from the Export Inspection Agency. Some food and pharmaceutical product may require a health or sanitary certificate for export.

Shipping Bill/ Bill of Export is the main document required by the Customs Authority for allowing shipment.

2.2.2 Every exporter should take following initial steps

1. Obtain BIN (Business Identification Number) from DGFT. It is a PAN based number.
2. Open current account with designated bank for credit of duty drawback claims
3. Register licenses / advance license / DEPB etc. at the customs station, if exports are under Export Promotion Schemes
4. Submission of Shipping Bill (export by sea or air) or Bill of export (for export by road)
5. Assessment of goods for duty - even if no duty is payable for most of exports, as 'Nil Duty' assessment is also an assessment.
6. Shipping Bill or bill of export should be submitted in quadruplicate. If drawback claim is to be made, one additional copy should be submitted.

2.2.3 There are five forms

- a. Shipping Bill for export of goods under claim for duty drawback - these should be in Green colour.
- b. Shipping Bill for export of dutiable goods - this should be yellow colour



- c. Shipping bill for export of duty free goods - it should be in white colour
- d. Shipping bill for export of duty free goods ex-bond - i.e. from bonded store room - it should be pink colour
- e. Shipping Bill for export under DEPB scheme - Blue colour.

2.2.4 Requirements of Shipping Bill

- a. The shipping bill form requires details like name of exporter, consignee, Invoice Number, details of packing, description of goods, quantity, FOB Value etc.
- b. Appropriate form of shipping bill should be used.
- c. Relevant documents i.e. copies of packing list, invoices, export contract, letter of credit etc. are also to be submitted.

Usually the Shipping Bill is of four types and the major distinction lies with regard to the goods being subject to certain conditions which are mentioned below:

- Export duty / cess
- Free of duty / cess
- Entitlement of duty drawback
- Entitlement of credit of duty under DEPB Scheme
- Re-export of imported goods

2.2.5 Documents Required for Post Parcel Customs Clearance:

In case of Post Parcel, no Shipping Bill is required. The relevant documents are mentioned below:

- **Customs Declaration Form** - It is prescribed by the Universal Postal Union (UPU) and international apex body coordinating activities of national postal administration. It is known by the code number CP2/ CP3 and to be prepared in quadruplicate, signed by the sender.
- Despatch Note, also known as CP2. It is filled by the sender to specify the action to be taken by the postal department at the destination in case the address is non-traceable or the parcel is refused to be accepted.
- **Prescriptions regarding the minimum and maximum sizes of the parcel with its maximum weight :**
 Minimum size: Total surface area not less than 140 mm X 90 mm.
 Maximum size: Lengthwise not over 1.05 m. Measurement of any other side of circumference 0.9 m./ 2.00 m.

Maximum weight: 10 kg usually, 20 kg for some destinations.

2.2.6 **Excise formalities at the time of Export** - If the goods are cleared by manufacturer for export, the goods are accompanied by ARE-1 (earlier AR-4):

- This form should be submitted to customs authorities.



- The Customs Officer certifies that the goods under this form have indeed been exported.
- This form has then to be submitted to Maritime Commissioner for obtaining 'proof of export'.
- The bond executed by Manufacturer-exporter with excise authorities is released only when 'proof of export' is accepted by Maritime Commissioner or Assistant Commissioner, where bond was executed.
- **Duty drawback formalities** - If the exporter intends to claim duty draw back on his exports, he has to follow prescribed procedures and submit necessary papers.
- He has to make endorsement of shipping bill that claim for duty drawback is being made.
- **G R / SDF / SOFTEX Form under FEMA** - Reserve Bank of India has prescribed GR / SDF form under FEMA. "G R" stands for 'Guaranteed Receipt' form, while SDF stands for 'Statutory Declaration Form'. SDF form is to be used where shipping bills are processed electronically in customs house, while GR form is used when shipping bills are processed manually in customs house.

2.2.7 **Other documents required for export** - Exporter also has to prepare other documents such as the following:

- (a) Four copies of Commercial Invoice
- (b) Four copies of Packing List
- (c) Certificate of Origin or pre-shipment inspection where required
- (d) Insurance policy.
- (e) Letter of Credit
- (f) Declaration of Value
- (g) Excise ARE-1 / ARE-2 form as applicable
- (h) GR / SDF form prescribed by RBI in duplicate
- (i) Letter showing BIN Number.

2.2.8 **RCMC certificate from Export Promotion Council** - Various Export Promotion Councils have been set up to promote and develop exports. (e.g. Engineering Export Promotion Council, Apparel Export Promotion Council, etc.) Exporter has to become member of the concerned Export Promotion Council and obtain RCMC - Registration cum membership Certificate.

Terms used in the trade

- **Commercial invoice** - Issued by the seller for the full realisable amount of goods as per trade term.
- **Consular Invoice** - Mainly needed for the countries like Kenya, Uganda, Tanzania, Mauritius, New Zealand, Burma, Iraq, Australia, Fiji, Cyprus, Nigeria, Ghana, Zanzibar etc. It is prepared in the prescribed format and is signed / certified by the counsel of the importing country located in the country of export.



- **Customs Invoice** - Mainly needed for the countries like USA, Canada, etc. It is prepared on a special form being presented by the Customs authorities of the importing country. It facilitates entry of goods in the importing country at preferential tariff rate.
- **Legalised/ Visaed Invoice** - This shows the seller's genuineness before the appropriate consulate/ chamber of commerce/ embassy. It do not have any prescribed form.
- **Certified Invoice** - It is required when the exporter needs to certify on the invoice that the goods are of a particular origin or manufactured/ packed at a particular place and in accordance with specific contract. Sight Draft and Usance Draft are available for this. Sight Draft is required when the exporter expects immediate payment and Usance Draft is required for credit delivery.
- **Packing List** - It shows the details of goods contained in each parcel/ shipment.
- **Certificate of Inspection** - It shows that goods have been inspected before shipment.
- **Black List Certificate** - It is required for countries which have strained political relation. It certifies that the ship or the aircraft carrying the goods has not touched those country(s).
- **Weight Note** - Required to confirm the packets or bales or other form are of a stipulated weight.
- **Manufacturer's/ Supplier's Quality/ Inspection Certificate.**
- **Manufacturer's Certificate** - It is required in addition to the Certificate of Origin for few countries to show that the goods shipped have actually been manufactured and are available.
- **Certificate of Chemical Analysis** - It is required to ensure the quality and grade of certain items such as metallic ores, pigments, etc.
- **Certificate of Shipment** - It signifies that a certain lot of goods have been shipped.
- **Health/ Veterinary/ Sanitary Certification** - Required for export of foodstuffs, marine products, hides, livestock etc.
- **Certificate of Conditioning** - It is issued by the competent office to certify compliance of humidity factor, dry weight, etc.
- **Antiquity Measurement** - Issued by Archaeological Survey of India in case of antiques.
- **Transshipment Bill** - It is used for goods imported into a customs port/ airport intended for transshipment.
- **Shipping Order** - Issued by the Shipping (Conference) Line which intimates the exporter about the reservation of space of shipment of cargo through the specific vessel from a specified port and on a specified date.
- **Cart/ Lorry Ticket** - It is prepared for admittance of the cargo through the port gate and includes the shipper's name, cart/ lorry No., marks on packages, quantity, etc.
- **Shut Out Advice** - It is a statement of packages which are shut out by a ship and is prepared by the concerned shed and is sent to the exporter.
- **Short Shipment Form** - It is an application to the customs authorities at port which advises short shipment of goods and required for claiming the return.

Shipping Advice - It is prepared in aligned document to be used to inform the overseas customer about the shipment of goods.