

# EXPORT PROCESS

Selling

## What is Export?

Exports are a function of international market whereby goods produced in one country are shipped in to another country for future sale or trade. Exports are a key component of a country's wealth, as the sale of such goods adds to the producing nation's gross output. One of the oldest forms of wealth transfer, exports occur on a large scale between nations that have fewer restrictions on trade, such as duty or subsidies. Exported goods are considered zero rated goods.

## Documents In Involved an Export Transaction

**Bill of Lading** The bill of lading is usually the first common document used in international shipment and it is a contract between the owner of the goods and the carrier. It will state what goods are shipping, where they are going and where the shipment started. In addition, once the shipment is picked up, the bill of lading serves as a receipt issued by the carrier.

**Certificate of Manufacturer** This is a notarized document certifying that the goods have been produced by the manufacturer, fulfills the general product requirements and is ready for shipment.

**Certificate of Origin** This document is prepared by the manufacturer and is certified by a government entity or chamber of commerce. It's used to identify the country of the manufacturer where the goods were made. For example, the U.S. Food & Drug Administration requires a certificate of origin for every product imported to the US.

**Commercial Invoice** When the international sale is complete and goods are ready to be shipped out, a commercial invoice is the document used to describe the entire export transaction from beginning to end including the shipping terms. It is one of the most important documents because it provides critical information and instructions to all parties involved: buyer, freight forwarder, U.S. and foreign customs, import broker, banks, carriers, etc. Many countries may require specific invoices or licenses, so if not done correctly, U.S. businesses will incur fees or delays in shipments.

**Consular Invoice** A consular invoice is a form available through a consular representative of the country you're shipping to and it certifies the shipment of goods. It is not required in every country, but is used to help many emerging nations facilitate customs and collection of taxes.

**Dock Receipts** The purpose of this receipt is to provide the exporter with proof that the delivery of goods to the international carrier was successful and in good condition.

**Inspection Certificate** These inspections are usually done with industrial equipment, perishable merchandise and meat products. It certifies the items were received in good condition and that the shipment contained the correct quantity.

**Insurance Certificate** For export shipments, this document certifies you have bought an insurance policy for cargo on board. Insurance may be purchased because liability and large losses are a concern to the exporter.

**Packing List** A packing list is similar to a shipping list in that it lists the goods being shipping, information on how it was packed, how the goods are numbered, and weight/height dimensions. Even though it's not always required, it's an important document used by freight forwarders to prepare a bill of lading and to understand how much cargo is needed.

**Electronic Export Information (EEI)** A required government online form for all exports in excess of \$2,500 or ones that require an export license. The EEI must be filed with the U.S. Census Bureau to collect trade statistics and apply export controls.

### **Export process**

**Having an Export Order** processing of an export order starts with the receipt of an export order. An export order, simply stated, means that there should be an agreement in the form of a document, between the exporter and importer before the exporter actually starts producing or procuring goods for shipment. Generally an export order may take the form of proforma invoice or purchase order or letter of credit. You have already learnt these just in the preceding section.

**Examination and Confirmation of Order** Having received an export order, the exporter should examine it with reference to the terms and conditions of the contract. In fact, this is the most crucial stage as all subsequent actions and reactions depend on the terms and conditions of the export order.

The examination of an export order, therefore, includes items like product description, terms of payment, terms of shipment, inspection and insurance requirement, documents realizing payment and the last date of negotiation of documents with the bank. Having being satisfied with these, the export order is confirmed by the exporter.

**Manufacturing or Procuring Goods** the Reserve Bank of India (RBI), under the export credit (interest subsidy) scheme, extends pre-shipment credit to exporter to finance working capital needs for purchase of raw materials, processing them and converting them into finished goods for the purpose of exports. The exporter approaches the bank on the basis of laid down procedures for the pre-shipment credit. Having received credit, the exporter starts to manufacture / procure and pack the goods for shipment overseas.

**Clearance from Central Excise** As soon as goods have been manufactured/ procured, the process for obtaining clearance from central excise duty starts. The Central Excise and Sale Act of India and the related rules provide the refund of excise duty paid. There are two alternative schemes whereby 100 per cent rebate on duty is given to export products on the submission of the proof of shipment.

The first scheme is to make payment of the excise duty at the time of removing the export consignment from the factory and file a claim for rebate of duty after exportation of goods. The second scheme is to remove goods from factory/warehouse without payment but under an appropriate bond with the excise authorities. The exporter needs to apply on a form known as AR4 or AR4A to the Central Excise Range Superintendent for obtaining excise clearance.

Form A is filed when goods are to be cleared after examination by the excise inspector. In all other cases, form AR4A is filed.

**Pre-Shipment Inspection** There are number of-goods whose export requires quality certification as per the Government of India's notification. Consequently, the Indian custom authorities will require the submission of an inspection certificate issued by the competent and designated authority before permitting the shipment of goods takes place.

Inspection of export goods may be conducted under:

- Consignment-wise Inspection
- In-process Quality Control
- Self-Certification.

The Inspection Certificate is issued in triplicate. The original copy is for the customs verification. The second copy of the certificate is sent to the importer and the third copy remains with the exporter for his reference purpose.

**Appointment of Clearing and Forwarding Agents** On completion of the process of obtaining the Inspection Certificate from the custom agencies, the exporter appoints clearing and forwarding agents who perform a number of functions on behalf of the exporter.

The main functions performed by these agents include packing, marking and labeling of consignment, arrangement for transport to the port arrangement for shipment overseas, customs clearance of cargo, procurement of transport and other documents.

In order to facilitate the exporter in discharging his duties, the following documents are submitted to the agent:

- Commercial invoice in 8-10 copies

- Customs Declaration Form in triplicate
- Packing list
- Letter of Credit (original)
- Inspection Certificate (original)
- G.R. Form (in original and duplicate)
- AR4/ AR4A (in original and duplicate)
- GP-I/GP-2 (original)
- Railway Receipt/Lorry Way Bill, as the case may be

**Goods to Port of Shipment** After the excise clearance and pre-shipment inspection formalities are completed, the goods to be exported are packed, marked and labeled. Proper marking, labeling and packing help quick and safe transportation of goods. The export department takes steps to reserve space on the ship through which goods are to be sent to the importer.

The shipping space can be reserved either through the clearing and forwarding agent or freight broker who works on behalf of the shipping company or directly from the shipping company. Once the space is reserved, the shipping company issues a document known as Shipping Order. This order serves as a proof of space reservation.

If goods are sent through a road carrier to the port, no specific formality is involved. In case, the goods are sent by rail to the port of shipment, allotment of wagon needs to be obtained from the Railway Board.

The following documents are submitted to the booking railway yard/station:

- Forwarding Note (A Railway Document)
- Shipping Order
- Wagon Registration Fee Receipt

Once wagons have been allotted, goods are loaded, for which railways will issue Railway Receipt (RR). Then, this receipt and other documents are sent to the clearing and forwarding agent at the port town. At the same time, the production/export department takes insurance policy in duplicate for risk coverage (internal as well as overseas) for the goods to be exported.

**Port Formalities and Customs Clearance** Having received the documents from the export department, the clearing and forwarding agent takes delivery of the cargo from the railway station or the road transport company and stores it in the warehouse. He also obtains customs clearance and permission from the port authorities to bring the cargo into the shipment shed.

The custom department grants permission for export at the office of the customs and physical verification of goods in the shipment shed. The clearance for export is given on the Shipping Bill.

The clearing and forwarding agent is required to submit the following documents with the Customs House for obtaining customs clearance and permission:

- Shipping Bill
- Contract Form
- Letter of Credit, if applicable
- Commercial Invoice
- GR Form
- Inspection Certificate
- AR4/AR4A Form
- Packing List, if needed

After receiving documents from the export department, the clearing and forwarding agent presents the Port Trust Document to the Shed Superintendent of the port. He obtains carting order bringing the cargo to the transit shed for physical examination by the Dock Appraiser.

The Dock Appraiser is presented the following documents to facilitate him in physical examination of export goods:

- Shipping Bill
- Commercial Invoice
- Packing List
- AR4/ AR4A Form and Gate Pass
- GR Form (duplicate)
- Inspection Certificate (original)

The Dock Appraiser, after making examination, makes 'Let Export' endorsement on the duplicate copy of the Shipping Bill and hands over it to the Forwarding Agent. All these documents are presented to the Preventive Officer who puts an endorsement 'Let Ship' on the duplicate copy of the Shipping Bill. The preventive officer supervises the loading of cargo on board the vessel.

After the goods are loaded on board the vessel, the captain of the ship issues a receipt known as 'Mate's Receipt' to the Shed Superintendent of the port concern. The forwarding, agent after paying port charges, takes the delivery of the 'Mate Receipt'. He submits to Shipping Company and requests it to issue the Bill of Lading.

**Dispatch of Documents by Forwarding Agent to the Exporter** After obtaining the Bill of Lading from the Shipping Company, the clearing and forwarding agent dispatches all the documents to his / her exporter.

These documents include:

- Commercial Invoice (attested by the customs)
- Export Promotion Copy
- Drawback Copy
- Clean on Board Bill of Lading
- Letter of Credit
- AR4/ AR4A and Gate Pass
- GR Form (in duplicate)

**Certificate of Origin** On receipt of above documents from the forwarding agent, the exporter now applies to the Chamber of Commerce for a Certificate of Origin and obtains it. If the goods are exported to countries offering GSP concessions, the exporter needs to procure the GSP Certificate of Origin from the concerned authority like Export Inspection Agency.

**Dispatch of Shipment Advice to the Importer** At last, the exporter sends 'Shipment Advice' to the importer intimating the date of shipment of the consignment by a named vessel and its expected time of arrival at the destination port of the importer.

The following documents are also sent to the importer to facilitate him for taking delivery of the' consignment:

- Bill of Lading (non-negotiable copy)
- Commercial Invoice
- Packing List
- Customs Invoice

**Submission of Documents to Bank** At the end of the process, the exporter presents the following documents to his bank for realization of his amount due to the importer:

- Commercial Invoice'
- Certificate of Origin
- Packing List
- Letter of Credit
- Marine Insurance Policy
- GR Form
- Bill of Lading

- Bill of Exchange
- Bank Certification
- Commercial Invoice

**Claiming Export Incentives** On completion of the processing of an export order at the three levels of shipment i.e., pre-shipment, shipment and post-shipment, the exporter claims for export incentives admissible to him / her.