BCA VIth sem UNIT 5

Common Export Documents

Commercial Invoice

Once you've sent a proforma invoice to your international prospect and received their order, you need to prepare your goods for shipping, including the paperwork that must accompany the goods. Of those documents, the commercial invoice is one of the most important.

The commercial invoice includes most of the details of the entire export transaction, from start to finish.The commercial invoice may look similar to the proforma invoice you initially sent your customer to serve as a quote, although it should include additional details you didn't know before. For example, once you have the commercial invoice, you probably have an order number, purchase order number or some other customer reference number; you may also have additional banking and payment information.

Make sure to include any relevant marine insurance information and any other details that will ensure prompt delivery of the goods and full payment from your customer.

RegistrationFormalities for Exports:

An exporter is required to register his organization with a number of institutions and authorities, which directly or indirectly help him in the smooth conduct of export trade. Some of the authorities with which the exporter has to register his organization are:

(a) **Registration of Organization:** Exporters have to register the types of organization selected by them under the appropriate Act of the country for undertaking their export operations, viz.,:

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:** Exporters are required to open a current account in the name of their firms or companies with a commercial bank which is authorized by the Reserve Bank of India (RBI) to deal in foreign currency transactions. All financial transactions of the exporter organization are routed through this account. Such banks also serve as a source of pre-shipment and post-shipment finance for the exporters.

(c) **Obtaining Importer-Exporter Code Number (IEC No.):** Prior it was obligatory for every exporter to obtain an Importer's Code Number (CNX) number from the RBI. However, since then, the CNX number has been replaced by the Importer Exporter Code (IEC) number issued by the Direct General for Foreign Trade (DGFT). The application form for obtaining an IEC number should be accompanied by a 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 these exemptions and deductions, exporters are required to register their organization with the Income Tax Authorities and obtain the Permanent Account Number (PAN). PAN is also necessary for obtaining an IEC number.

(e) **Registration with GST:** Goods manufactured for export purpose as well as those purchased from local market for export purpose are completely exempted from Value Added Tax and Central Sales Tax, provided exporter or his firm is registered with the Value Added Tax authority of the state concerned and obtains exemption as per the procedure laid down in the concerned Acts. GST registration is required to be completed by every exporter with effect from the appointed date fixed by the government of India by 2017.

(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). At present, there are 21 EPCs dealing with various commodities. The benefits extended to exporters under the new Foreign Trade Policy 2009-2014 are extended only to the registered exporters having valid RCMC.

(g) **Registration with Export Credit and Guarantee Corporation of India (ECGC):** Exporters are exposed to commercial as well as political risks in the international market. Therefore, in order to protect themselves against such risks it is necessary for exporters to get themselves registered with the ECGC. ECGC also helps exporters in obtaining financial assistance from commercial banks and other financial institutions.

(h) **Registration with other Authorities:** Exporters are also required to register with a number of other authorities and institutions such as:
Federation of Indian Export Organization (FIFO),
Indian Trade Promotion Organization (ITPO),
Chambers of Commerce (COC),
Productivity Councils, etc.

Shipping Documents for Exports

1. Bill of Lading

A bill of lading is a contract between you, the owner of the goods, and the carrier stating what goods you're shipping, where the shipment is coming from and where it's headed. It also serves as a receipt issued by the carrier once your shipment is picked up.A bill of lading (or a freight bill of lading or a waybill) can also serve as a document of title, which allows the person holding it to claim possession of your shipment. There are several specific bills of lading, which we'll discuss in detail below.

This bill includes details such as:

- Description, quantity, weight of goods
- Name and address of recipient
- Terms of sale

Inland Bill of Lading

Inland bills of lading are often the first transportation document issued for international shipment. They are used for cargo shipments by rail or road, but not sea.

Ocean Bill of Lading

This bill of lading is used for shipping goods overseas. It authorizes the holder or another party to take possession of the goods. Ocean bills of lading can be straight bills of lading or consigned "to order" bills of lading.

Air Waybill

The air waybill (AWB) is the equivalent of an ocean bill of lading for air transport. However, unlike the ocean bill of lading, it cannot be negotiable; in other words, it may not be consigned "to order."

There are three significant reasons to use a bill of lading form:

- Bills of lading are a receipt for the goods shipped.
- Bills of lading are evidence of a contract for carriage between the exporter and carrier.
- Bills of lading serve as a document of title.

In addition, consider this: More than 10,000 shipping containers are lost annually. Without a correctly completed bill of lading, that could mean a major headache trying to get compensated for your loss.

2. Commercial Invoice cum Packing List

A commercial invoice is a contract of sale issued by the exporter to the importer. It helps customs determine the value of the goods to assess the duties and taxes due on them. A commercial invoice carries details such as:

- Name, address of seller (exporter)
- Name, address of buyer (importer)
- Value, quantity of goods

A packing list is an itemized list with details of the goods. It helps facilitate their examination and accurate tallying during clearance. It contains:

- Description of the goods
- Quantity and weight (gross and net) of the goods
- Number of packages
- Type of packaging (pallet, box, crate, drum, etc)
- Marks and numbers (symbols/numbers placed on each piece of cargo in a shipment to identify them)
- Carrier's (ship) name
- Date of export
- Export license number
- Letter of credit number

Before the rules were changed, the commercial invoice and packing list were separate documents with identical data fields.

3. Shipping Bill/Bill of Export

A shipping bill or bill of export is a document submitted by the exporter in the form of an application to obtain clearance from customs. It informs customs of whether the exporter has availed of government incentives, such as:

- Exemptions/rebates/refunds on various taxes, duties
- Benefits under various government export schemes

If the goods are a re-export of previously imported goods, then these details must also be included.

Combined Transport Document

A Combined Transport Document is also known as a Multimodal Transport Document, and is used when goods are transported using more than one mode of transportation. In the case of a multimodal transport document, the contract of carriage is meant for a combined transport from the place of shipping to the place of delivery. The liability of the combined transport operator starts from the place of shipment and ends at the place of delivery. These documents need to be signed with the appropriate number of originals in the full set and proper evidence which indicates that transport charges have been paid or will be paid at the destination port.

Multimodal transport documents would normally show :

- That the consignee and notify parties are credited.
- The place where goods are received, or taken in charges, and place of final destination.
- Whether freight is prepaid or to be collected.
- The date of dispatch or taking in charge, and the "On Board" notation, if any, must be dated and signed.
- Total number of originals.
- Signature of the carrier, multimodal transport operator or their agents.

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.

Export Oriented Units (EOUs)-An Introduction

The Export Oriented Units (EOUs) scheme, introduced in early 1981, is complementary to the SEZ scheme. It adopts the same production regime but offers a wide option in locations with reference to factors like source of raw materials, ports of export,availability of technological skills, existence of an industrial base and the need for a larger area of land for the project. As of 31st December 2005, 1924 units are in operation under the EOU scheme.

Objectives of the Export oriented unit:

The main objectives of the EOU scheme is to increase exports, earn foreign exchange to the country, transfer of latest technologies stimulate direct foreign investment and to generate additional employment.

Major Sectors in EOUs:

- GRANITE
- TEXTILES / GARMENTS
- FOOD PROCESSING

- CHEMICALS
- COMPUTER SOFTWARE
- COFFEE
- PHARMACEUTICALS
- GEM & JEWELLERY
- ENGINEERING GOODS
- ELECTRICAL & ELECTRONICS
- AQUA & PEARL CULTURE

EOU Activities
Initially, EOUs were mainly concentrated in Textiles and Yarn, Food Processing, Electronics, Chemicals, Plastics, Granites and Minerals/Ores. But now a day, EOU has extended it area of work which includes functions like manufacturing, servicing, development of software, trading, repair, remaking, reconditioning, re-engineering including making of gold/silver/platinum jewellery and articles thereof, agriculture including agro-processing, aquaculture, animal husbandry, bio-technology, floriculture, horticulture, pisciculture, viticulture, poultry, sericulture and granites.

Need for Special License
To set up an EOU for the following sectors, an EOU owner needs a special license.
- Arms and ammunition,
- Explosives and allied items of defense equipment,
- Defense aircraft and warships,
- Atomic substances,
- NarcoticExport Oriented Units (EOUs)-An Introduction

Benefits of Export Oriented Units
The Export Oriented Units enjoys the below following benefits
- EOUs has a permit to procure raw material or capital goods duty-free, either through import or through domestic sources;
- EOUs are eligible for reimbursement of GST;
- EOUs are eligible for reimbursement of duty paid on fuels procured from domestic oil companies;
- Fast track clearance facilities;
- Exemption from industrial licensing for the manufacture of items reserved for the SSI sector.

Export Processing Zones (EPZ)

EPZs are strategies for economic development.Many developing nations are trying to transform their economies by integrating themselves into the global supply chain. This means moving away from an import-centric economy to one based on exports. Countries in Asia, Africa, and Latin America are creating export development programs that encourage investments from multinational companies.

One tool which is used by many nations is Export Processing Zones (EPZ).

These are selected areas in a country that are designed to do the following:

1. Attract foreign investment to create jobs
2. Expand the industrial base
3. Introduce technology

   Create backward linkages between the zones and the domestic economy

The EPZ will have some resources that can attract investment such as natural resources, cheap skilled labor, or logistical advantages.Nations can also encourage investment in the EPZ by offering expedited licensing or building permits, minimal customs regulations, duty-free tax incentives, such as a ten year tax holiday, and developing infrastructure to investor's requirements.

History of the Export Processing Zone

The notion of the EPZ may have originated from free trade zones established in major ports such as Hong Kong, Gibraltar, and Singapore during the nineteenth century. Some of the first free trade zones allowed imports and exports free from custom formalities so that goods could be re-exported quickly.

The EPZ has been used by developing nations since the 1930's to encourage foreign investment. The mechanism is called EPZ in some countries, while it can also be called Free Trade Zone (FTZ), Special Economic Zone (SEZ) and maquiladora, such as found in Mexico.Some of the first EPZ's were found in Latin America, while in the US, the first free trade zone was created in 1934.

Since the 1970s, developing nations have seen EPZ's as a way of stimulating their economies by encouraging investment from the developed world.

In 2006, 130 countries had established over 3500 EPZ's within their borders, with an estimated 66 million workers employed in those EPZ's. Some EPZ's are single factory locations, whereas some, such as the Chinese Special Economic Zones, are so large that they have a resident population.

Advantages of the Export Processing Zone

With over 130 nations providing EPZ within their borders, the advantages of creating EPZ appear to be very clear for developing countries.

1. The increase in foreign exchange through increased exports
2. Job creation

3. Foreign direct investment (FDI) to the host country
4. The introduction of technology into the country
5. And generating backward linkages from the EPZ to the domestic economy

Special Economic Zones

An SEZ is an enclave (unit or part) within a country that is typically duty-free and has different business and commercial laws chiefly to encourage investment and create employment.

1. Apart from generating employment opportunities and promoting investment, SEZs are also created to better administer these areas, thereby increasing the ease of doing business.
2. An SEZ Policy was announced for the very first time in 2000 in order to overcome the obstacles businesses faced.
3. There were multiple controls and many clearances to be obtained before starting a venture.
4. Infrastructure facilities were shoddy and well below world standards in India.
5. In order to attract huge foreign investments into the country, the government announced the Policy.
6. The Parliament passed the **Special Economic Zones Act** in 2005 after many consultations and deliberations.
7. The Act came into force along with the SEZ Rules in 2006.
8. However, SEZs were operational in India from 2000 to 2006 (under the Foreign Trade Policy).

Special Economic Zones Act, 2005

"It is defined as an Act to provide for the establishment, development and management of the Special Economic Zones for the promotion of exports and for matters connected therewith or incidental thereto."

The chief objectives of the SEZ Act are:

1. To create additional economic activity.
2. To boost the export of goods and services.
3. To generate employment.
4. To boost domestic and foreign investments.
5. To develop infrastructure facilities.

SEZ Rules
The Rules provide for:

1. Simplified procedures to develop, operate and maintain SEZs and also to set up units and conduct businesses in the SEZs.
2. Single-window clearance to set up a Special Economic Zone, and also to set up a unit in an SEZ.
3. Single-window clearance for matters connected to the Central and State governments.
4. Simplified compliance procedures and documentation with a focus on self-certification.
5. Different minimum land requirements for different classes of Special Economic Zones.

SEZs Facilities & Incentives
The government offers many incentives for companies and businesses established in SEZs. some of the important ones are:

- Duty-free import or domestic procurement of goods for developing, operating and maintaining SEZ units.
- 100% Income tax exemption on export income for SEZ units under the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.Units are exempted from Minimum Alternate Tax (MAT).
- They were exempted from Central Sales Tax, Service Tax and State sales tax. These have now subsumed into GST and supplies to SEZs are zero-rated under the IGST Act, 2017.
- Single window clearance for Central and State level approvals.
- There is no need for a license for import.
- In the manufacturing sector, barring a few segments, 100% FDI is allowed.
- Profits earned are permitted to be repatriated (sent back)freely with no need for any dividend balancing.
- There is no need for separate documentation for customs and export-import policy.
- Many SEZs offer developed plots and ready-to-use space.