THE PLASTICS EXPORT PROMOTION COUNCIL

HOW TO EXPORT AND PREPARATION OF EXPORT DOCUMENTS

INTRODUCTION

India's Foreign Trade i.e. Exports and Imports are regulated by Foreign Trade Policy notified by Central government in exercise of powers conferred by section 5 of foreign trade (Development and Regulation) Act 1992. Presently Foreign Trade Policy 2015-20 is effective from 1st April, 2015. As per FTD & R act, export is defined as an act of taking out of India any goods by land, sea or air and with proper transaction of money. The FTP 2015-20 has been extended till 30th September, 2022.

STARTING EXPORTS

Export in itself is a very wide concept and lot of preparations is required by an exporter before starting an export business. To start export business, the following steps may be followed:

1) Establishing an Organisation

To start the export business, first a sole Proprietary concern/ Partnership firm/Company has to be set up as per procedure with an attractive name and logo.

2) Opening a Bank Account

A current account with a Bank authorized to deal in Foreign Exchange should be opened.

3) Obtaining Permanent Account Number (PAN)

It is necessary for every exporter and importer to obtain a PAN from the Income Tax Department. ***https://www.incometaxindia.gov.in/Pages/tax-services/apply-for-pan.aspx***

4) Obtaining GSTIN (Goods and Service Tax Identification Number)

Export of goods is considered as inter-state supply and under GST law, GST registration becomes compulsory for any person who is doing the inter-state taxable supply of goods. **https://reg.gst.gov.in/registration/**

5) Obtaining Importer-Exporter Code (IEC) Number

- As per the Foreign Trade Policy, it is mandatory to obtain IEC for export/import from India. Para 2.05 of the FTP, 2015-20 lays down the procedure to be followed for obtaining an IEC, which is PAN based.
- An application for IEC is filed online at ***https://www.dgft.gov.in/CP/?opt=iec-profile-management*** as per ANF 2A, online payment of application fee of Rs. 500/-

through net Banking or credit/debit card is made along with requisite documents as mentioned in the application form.

6) Registration cum membership certificate (RCMC)

For availing authorization to import/ export or any other benefit or concession under FTP 2015-20, as also to avail the services/ guidance, exporters are required to obtain RCMC granted by the concerned Export Promotion Councils/ FIEO/Commodity Boards/ Authorities. Now it is online available at ***https://www.dgft.gov.in/CP/?opt=other-services***

7) Selection of product

All items are freely exportable except few items appearing in prohibited/ restricted list.

After studying the trends of export of different products from India proper selection of the product(s) to be exported may be made.

8) Selection of Markets

An overseas market should be selected after research covering market size, competition, quality requirements, payment terms etc. Exporters can also evaluate the markets based on the export benefits available for few countries under the FTP. Export promotion agencies, Indian Missions abroad, colleagues, friends, and relatives might be helpful in gathering information.

9) Finding Buyers

Participation in trade fairs, buyer seller meets, exhibitions, B2B portals, web browsing are an effective tool to find buyers. EPC's, Indian Missions abroad, overseas chambers of commerce can also be helpful. Creating multilingual Website with product catalogue, price, payment terms and other related information would also help.

10) Sampling

Providing customized samples as per the demands of Foreign buyers help in getting export orders. As per FTP 2015-2020, exports of bonafide trade and technical samples of freely exportable items shall be allowed without any limit.

11) Pricing/Costing

Product pricing is crucial in getting buyers' attention and promoting sales in view of international competition. The price should be worked out taking into consideration all expenses from sampling to realization of export proceeds on the basis of terms of sale i.e. Free on Board (FOB), Cost, Insurance & Freight (CIF), Cost & Freight(C&F), etc. Goal of establishing export costing should be to sell maximum quantity at competitive price with maximum profit margin. Preparing an export costing sheet for every export product is advisable.

12) Negotiation with Buyers

After determining the buyer's interest in the product, future prospects and continuity in business, demand for giving reasonable allowance/discount in price may be considered.

13) Covering Risks through ECGC

International trade involves payment risks due to buyer/ Country insolvency. These risks can be covered by an appropriate Policy from Export Credit Guarantee Corporation Ltd (ECGC). Where the buyer is placing order without making advance payment or opening letter of Credit, it is advisable to procure credit limit on the foreign buyer from ECGC to protect against risk of non-payment.(To know more about ECGC https://www.ecgc.in/)

Processing an Export Order

i. Confirmation of order

On receiving an export order, it should be examined carefully in respect of items, specification, payment conditions, packaging, delivery schedule, etc. and then the order should be confirmed. Accordingly, the exporter may enter into a formal contract with the overseas buyer.

ii. Procurement of Goods

After confirmation of the export order, immediate steps may be taken for procurement/manufacture of the goods meant for export. It should be remembered that the order has been obtained with much efforts and competition so the procurement should also be strictly as per buyer's requirement.

iii. Quality Control

In today's competitive era, it is important to be strict quality conscious about the export goods. Some products like food and agriculture, fishery, certain chemicals, etc. are subject to compulsory pre-shipment inspection. Foreign buyers may also lay down their own standards/specifications and insist upon inspection by their own nominated agencies. Maintaining high quality is necessary to sustain in export business.

iv. Finance

Exporters are eligible to obtain pre-shipment and post-shipment finance from Commercial Banks at concessional interest rates to complete the export transaction. Packing Credit advance in pre-shipment stage is granted to new exporters against lodgment of L/C or confirmed order for 180 days to meet working capital requirements for purchase of raw material/finished goods, labour expenses, packing, transporting, etc. Advances granted by Banks are adjusted by realization of the sale proceeds of the export bills.

v. Labeling, Packaging, Packing and Marking

The export goods should be labelled, packaged and packed strictly as per the buyer's specific instructions. Good packaging delivers and presents the goods in top condition and in attractive way. Similarly, good packing helps easy handling, maximum loading, reducing shipping costs and to ensuring safety and standard of the cargo. Marking such as address, package number, port and place of destination, weight, handling instructions, etc. provides identification and information of cargo packed.

vi. Insurance

Marine insurance policy covers risks of loss or damage to the goods during the while the goods are in transit. Generally in CIF contract the exporters arrange the insurance whereas for C&F and FOB contract the buyers obtain insurance policy.

vii. Delivery

It is important feature of export and the exporter must adhere the delivery schedule. Planning should be there to let nothing stand in the way of fast and efficient delivery.

viii. Customs Procedures

It is necessary to obtain PAN based Business Identification Number (BIN) from the Customs prior to filing of shipping bill for clearance of export good and open a current account in the designated bank for crediting of any drawback amount and the same has to be registered on the system.

In case of Non-EDI, the shipping bills or bills of export are required to be filled in the format as prescribed in the Shipping Bill and Bill of Export (Form) regulations, 1991. An exporter need to apply different forms of shipping bill/ bill of export for export of duty free goods, export of dutiable goods and export under drawback etc.

Under EDI System, declarations in prescribed format are to be filed through the Service Centers of Customs. A checklist is generated for verification of data by the exporter/CHA. After verification, the data is submitted to the System by the Service Center operator and the System generates a Shipping Bill Number, which is endorsed on the printed checklist and returned to the exporter/CHA. In most of the cases, a Shipping Bill is processed by the system on the basis of declarations made by the exporters without any human intervention. Where the Appraiser Dock (export) orders for samples to be drawn and tested, the Customs Officer may proceed to draw two samples from the consignment and enter the particulars thereof along with details of the testing agency in the ICES/E system.

Any correction/amendments in the check list generated after filing of declaration can be made at the service center, if the documents have not yet been submitted in the system and the shipping bill number has not been generated. In situations, where corrections are required to be made after the generation of the shipping bill number or after the goods have been brought into the Export Dock, amendments is carried out in the following manners.

1. The goods have not yet been allowed "let export" amendments may be permitted by the Assistant Commissioner (Exports).

2. Where the "Let Export" order has already been given, amendments may be permitted only by the Additional/Joint Commissioner, Custom House, in charge of export section.

In both the cases, after the permission for amendments has been granted, the Assistant Commissioner / Deputy Commissioner (Export) may approve the amendments on the system on behalf of the Additional /Joint Commissioner. Where the print out of the Shipping Bill has already been generated, the exporter may first surrender all copies of the shipping bill to the Dock Appraiser for cancellation before amendment is approved on the system.

'e-Sanchit' : The Central Board of Indirect Taxes & Customs (CBIC) has launched eSanchit (e-Storage and Computerized Handling of Indirect Tax documents) for paperless processing, uploading of supporting documents and to facilitate the trading across Borders.

Exporters are allowed to file shipping bills using 'e-sanchit' software, they do not need to visit EDI service center for filling the documents.

Please refer the eSanchit application process guide For IEC Users available for download ....

https://www.icegate.gov.in/Download/eSANCHIT_Step_by_Step_Procedure_updated.pdf

ix. Customs House Agents

Exporters may avail services of Customs House Agents licensed by the Commissioner of Customs. They are professionals and facilitate work connected with clearance of cargo from Customs.

x. Documentation

FTP 2015-2020 describe the following mandatory documents for import and export.

- Bill of Lading/ Airway bill
- Commercial invoice cum packing list
- shipping bill/ bill of export/ bill of entry (for imports)

(Other documents like certificate of origin, inspection certificate etc may be required as per the case.)

xi. Submission of documents to Bank

After shipment, it is obligatory to present the documents to the Bank within 21 days for onward dispatch to the foreign Bank for arranging payment. Documents should be drawn under Collection/Purchase/Negotiation under L/C as the case may be, along with the following documents

- Bill of Exchange
- Letter of Credit (if shipment is under L/C)
- Invoice
- Packing List

- Airway Bill/Bill of Lading
- Declaration under Foreign Exchange
- Certificate of Origin/GSP
- Inspection Certificate, wherever necessary
- Any other document as required in the L/C or by the buyer or statutorily.

xii. Realization of Export Proceeds

As per FTP 2015-2020, all export contracts and invoices shall be denominated either in freely convertible currency of Indian rupees, but export proceeds should be realized in freely convertible currency except for export to Iran.

Export proceeds should be realized in 9 months.

List of few basic documents required during exports

1. Proforma invoice

In a typical export exchange, everything starts when you receive an inquiry about one or more of your products. That inquiry may include a request for a quotation

2. 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.

3. Packing list

An export packing list may be more detailed than a packing list or packing slip you provide for your domestic shipments. It may be used in the following ways:

Your freight forwarder may use the information on the packing list to create the bills of lading for the shipment.

A bank may require that a detailed packing list be included in the set of documents you present to get paid under a letter of credit.

4. Certificate of origin (CoO)

A certificate of origin is a legal document to prove the origin of goods. Figuratively speaking, the certificate of origin is the "passport" of goods.

1. Certificate of origin is an effective certificate for handing over goods, settling payment, claiming compensation, clearing and accepting in the importing country, collecting customs duty, etc. in trade relations.

2. It is an important document for exporting countries to enjoy quota treatment, importing countries to implement differential tariff treatment and country-specific trade policies, trade statistics, quantity restrictions and control of imports from specific countries, etc. This has specific legal effects and economic utility.

3. If the target country of export goods is a WTO member, the general certificate of origin can enjoy the most-favored-nation treatment of the target country.

There are two types of Certificates of origin (Preferential and Non-preferential CoO)

5. Certificate of free sale

Sometimes called a "Certificate for Export" or "Certificate to Foreign Governments," a Certificate of Free Sale is evidence that goods—such as food items, cosmetics, biologics or medical devices—are legally sold or distributed in the open market, freely without restriction, and approved by the regulatory authorities in the country of origin.

6. Shipper letter of instruction

One of the most important people you will work with in the export process is your freight forwarder, who usually arranges the transport of your goods with a carrier and helps ensure you've taken care of all the details.

Depending on your agreed-upon terms of sale—remember, that's typically the Incoterm you choose—either you hire a freight forwarder to work for you, the exporter, or, in the case of a routed export transaction, the buyer hires a freight forwarder.

7. Inland Bill of lading

An inland bill of lading is often the first transportation document required for international shipping created for your export. It can be prepared by the inland carrier or you can create it yourself. It's a contract of carriage between the exporter and the shipper of the goods that states where the goods are going; it also serves as your receipt that the goods have been picked up.

8. **Ocean Bill of Lading**

   If goods are shipping by ocean vessel, you'll need an ocean bill of lading. An ocean bill of lading can serve as both a contract of carriage and a document of title for the cargo. There are two types:

   Straight Bill of Lading
   A straight bill of lading is consigned to a specific consignee and is not negotiable. The consignee takes possession of the goods by presenting a signed, original bill of lading to the carrier.

   Negotiable Bill of Lading
   A negotiable bill of lading is consigned "to order" or "to order of shipper" and is signed by the shipper and sent to a bank in the buyer's country. The bank holds onto the original bill of lading until the requirements of a documentary collection or a letter of credit have been satisfied.

9. **Air Waybill**

   Goods shipped on a plane require an air waybill. It is a contract of carriage between the shipper and the carrier that is distributed by the International Air Transport Association (IATA). Unlike an ocean bill of lading, an air waybill cannot be negotiable.

   The major difference between an air waybill and a bill of lading is in regards to the title to goods.

   An air waybill is a receipt of goods; the carrier or agent sends it in order to show the place of delivery.

   A bill of lading is a document of title to goods. It is a receipt by the shipping company with an agreement to deliver the goods at the destination only to the party the bill of lading is consigned to.

10. **Dangerous Goods Forms**

    If products are considered dangerous goods by either the International Air Transport Association (IATA) or the International Maritime Organization (IMO), you need to include the appropriate dangerous goods form with your shipment. Shipping dangerous goods or hazardous materials can be tricky. Before you do it, the appropriate people at your company need to be trained to properly package, label and document these shipments.

    The IATA form—the Shipper's Declaration for Dangerous Goods—is required for air shipments. There is a different version of the form for ocean shipments. Again, these forms need to be completed by someone who has been trained to handle dangerous goods shipping.

11. **Shipping bills**

A shipping bill is an application made by the exporter to the customs authority for the export of goods. This document is required to load the goods onto the ship or aircraft. Similarly, at land customs stations, a bill of export is required.

12. **Bill of Exchange**

Bill of exchange is a negotiable instrument issued by the exporter on its letterhead and given to the buyer. It contains details of the shipment, amount receivable, and the time of payment. This is a valuable document required when you are exporting goods.

13. **Letter of Credit**

We may not directly require this document to export goods from India. However, a letter of credit is an essential document. It is issued by the buyer's bank, which undertakes prompt payment of the amount on expiry of the credit period.

14. **Certificate of Inspection**

If you want to export only high-quality goods, we recommend that you obtain a certificate of inspection. The approving authority grants this certificate only after a thorough inspection and satisfaction with the quality of the goods. In certain cases, this certificate can be given through self-declaration.

15. **Marine Insurance policy**

A marine insurance policy is an important document required for export as it provides coverage in the event of damage to goods. As an exporter, it is crucial to take a good maritime insurance policy to safeguard your business in the occurrence of an unfortunate event.

16. **Mate's Receipt**

The officer of the vessel issues this document. It is prima facie evidence that they have loaded the goods onto the ship. Here, it is important to note that the mate's receipt is not a document that gives the title of the goods.

17. **Other documents**

Besides the documents mentioned above, you will also require the following documents:

Import Export Code (IEC), Registration Cum Membership Certificate (RCMC), A bank account to receive foreign remittances etc.