

# Module 5: Trade Operations and Documentations

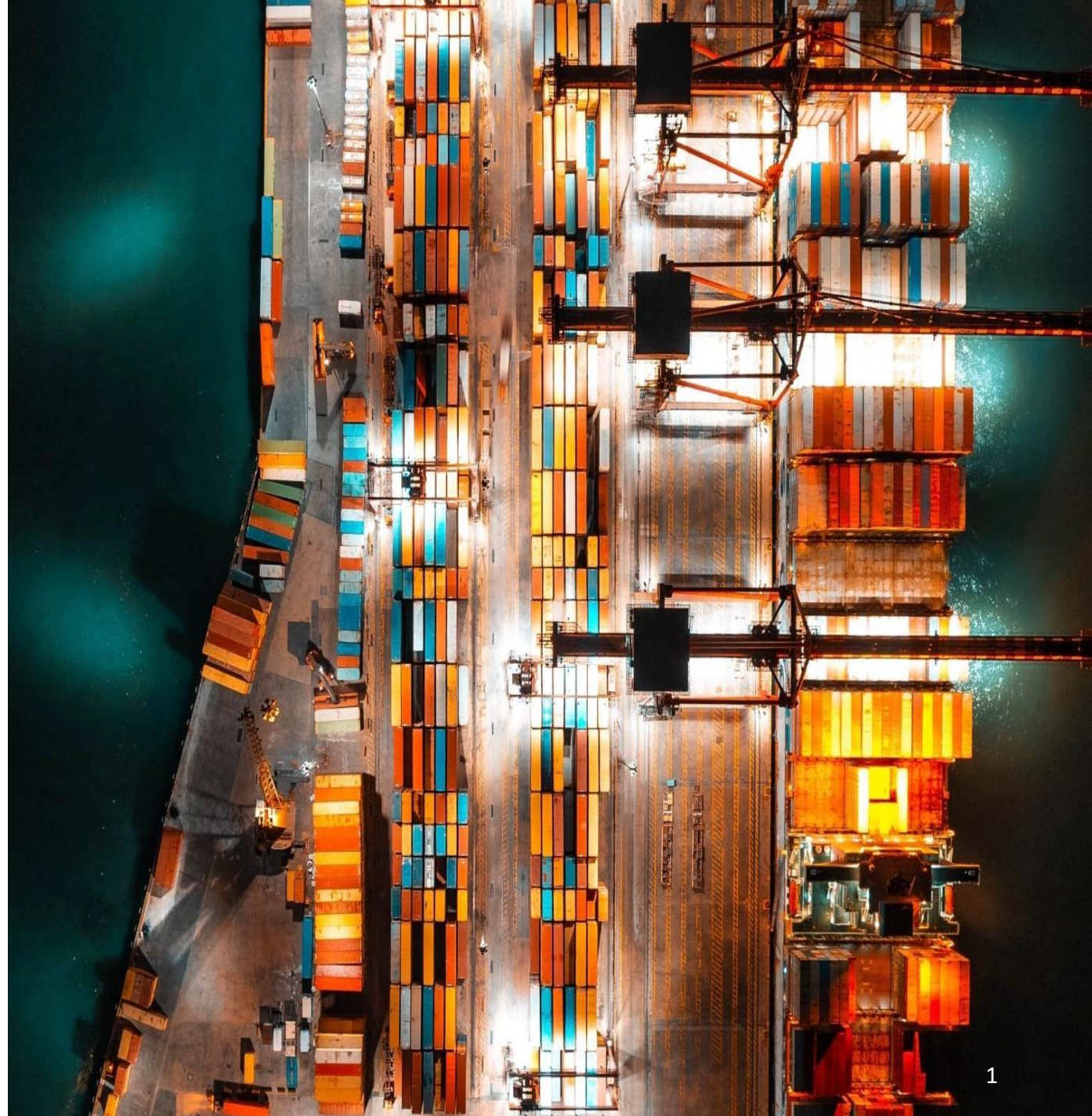
## Session 5/5

### Export clearance and Incentive assessment

Six Months Certificate Training Program on “Agri-Export and Import Management”

Speaker: Dr Raosaheb R Mohite, Agri-Value Chain Expert - GFFM Group, Bangalore

Export clearance and Incentive assessment



## Module 5: Session 5: Export Clearance and Incentive Assessment



Session 1	Step by Step Process of getting started in Export – Import
Session 2	Drafting an export sales contract; Negotiating suitable INCO Terms
Session 3	Getting tuned to Operational issues in international business
Session 4	Procedure for clearance of export – import cargo; Duty assessment and payment of import cargo
Session 5	Export clearance and Incentive assessment

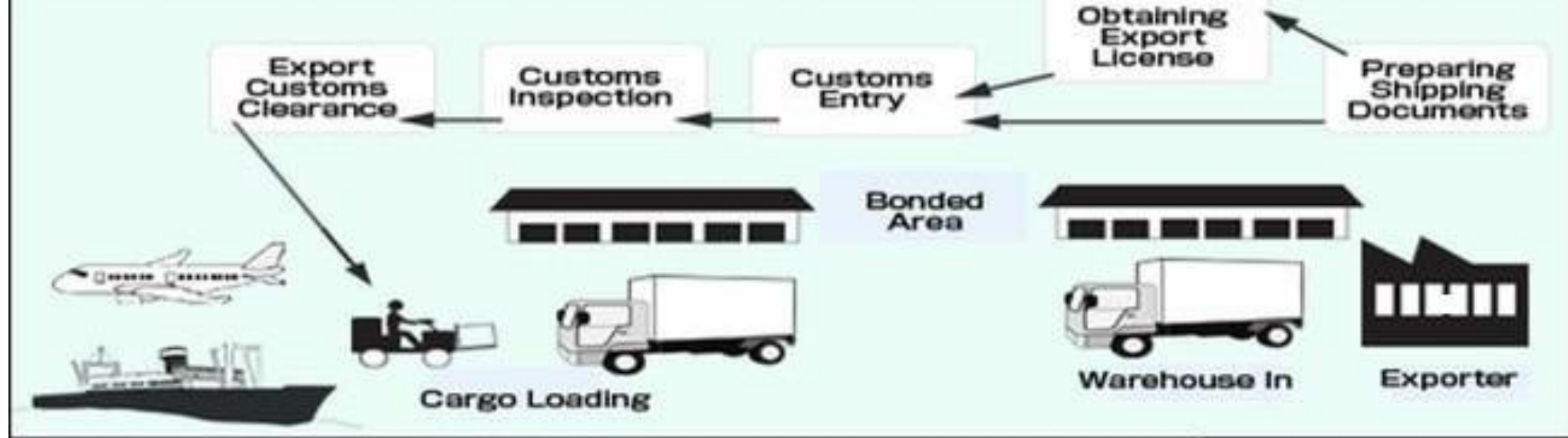
# Export clearance and Incentive assessment (निर्यात निकयसी और प्रोत्सयहि मूल्यांककि)

# Structure of Presentation

- Export Customs Clearance
- Export Incentives
- Do's and Don'ts of Export Documentation



# CUSTOMS CLEARANCE - EXPORTS



Exporter of  
Agricultural  
Products

Cargo in  
Warehouse

Submission of  
Documents to  
Customs

- a. Shipping documents
- b. Export License
- c. Customs Entry
- d. Customs Inspection
- e. Export Customs Clearance

Cargo from  
warehouse  
loaded into  
Carrier

- a. Sea
- b. Air
- c. Road
- d. Rail

<https://digitalexim.com/an-essential-step-to-make-custom-clearance-easy/>

# Exporting from Non-EDI Ports

- An exporter would be able to file his application on DGFT website at <http://dgft.gov.in/>.
- Applicant will then submit to concerned RA (Registration Authority) the hard copy of application along with requisite documents.
- Authorisation/ Scrip shall be issued on the basis of hard copies of documents as prescribed in HBP (Handbook of Procedures) after due scrutiny.

Electronic Data Interchange (EDI) is generically defined as the computer-to-computer exchange of business information through standard interfaces

The Indian Customs EDI System (ICES) is now operational at 245 major customs locations handling nearly 98 per cent of India's international trade in terms of import and export consignments

# Exporting from EDI Ports

- Applications relating to exports from EDI ports will be filed online as per relevant provisions.
- Physical or Hard copy of the following documents shall not be required to be submitted:
  - (i) Applications to DGFT
  - (ii) EDI shipping bills
  - (iii) Electronic Bank Realisation Certificate (eBRC)
  - (iv) RCMC

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The Indian Customs EDI System (ICES) is now operational at 245 major customs locations handling nearly 98 per cent of India's international trade in terms of import and export consignments

# Business Identification Number (BIN)

- To export the goods, an exporter needs to obtain a PAN-based Business Identification Number(BIN).
- This is given through the Directorate General of Foreign Trade (DGFT) prior to the filing of a shipping bill for the customs clearance of the exported goods.
- In the case of export under export promotion schemes, all the exporters planning to export under the "Export Promotion Scheme" need to get their DEEC (book/licenses etc.

Duty Exemption Entitlement Certificate Scheme (DEEC Scheme) is an export promotion scheme, which enables duty-free import of inputs required for the manufacture of export products.



# Exports and Incentives

- Exports are a priority and enjoy lot of incentives from the Central Govt.
- The major problem lies in realizing the incentives, since exporters have to approach multiple organizations for seeking sanction, which is not easy since each organization prescribes its own exclusive method of documentation as well as procedure from the stage of submission of claim till sanction.
- In short the documentation and procedures for realizing incentives are diverse and sometimes problematic.

# Provide complete and adequate information

- Incentives available at post-shipment stage are connected with the documents generated at the time of shipment, and this necessitates paying of adequate care and attention in documentation at the time and stage of export shipment.
- Providing of complete and adequate information in a proper way eases the way to realizing incentive/ claims.
- Thus it is essential for the exporter claiming incentives, to plan carefully even at the time of shipment, even though the benefits are received only after the completion of the process of export/ shipment.

# Importance of claiming of incentives

- Inadequate planning and non - realization of incentives in a timely manner can upset the fund flow and make the activity non-remunerative for exporter.
- Hence, the exporters have to draw a suitable action plan for claiming incentives in a timely fashion, avoid delays and cuts in realization. To be successful, the exporter has to understand the different procedural formalities in related multiple and diverse agencies.
- This can ensure proper compliance for availing full benefit of incentives

# Reason for poor export performance by India

- High cost of export products from India makes it uncompetitive in international market place. The reasons for the high prices are:
  - Poor Infrastructure
    - It is cheaper & faster to move a container by ship from Malaysia to Chennai (6302 Km) than it is to move the same container from Chennai to Mumbai (1336 Km and 1261 Km, by road and rail respectively).
  - Higher Associated Costs add to final cost
    - Rail freight rates for the Export Industry are one of the highest compared to other countries.
    - Industrial electricity rates in India are very high.
    - Cost of land for setting up industries is also high
  - Cost of credit-
    - Due to high inflation, the interest rates in India have remained high for a very long period.

- Therefore, the Govt. of India tries to compensate for the disadvantages faced by the Indian exporters by introducing various Export Promotion Schemes/ Export Incentives for Indian exporters.
- Hence, for the exporter, it becomes extremely important to have complete knowledge about all the export promotion schemes/ export benefits in India and make full use, for better export pricing and to remain competitive in the global market

# Advance Authorisation Scheme (AAS) or Advance License Scheme

- It is a type of duty exemption scheme introduced by the GoI under the Foreign Trade Policy 2015-2020.
- Under this scheme, exemption from the payment of import duties is given to raw materials/ inputs required for the manufacture of export products (at zero customs duty)\*.
- The purpose of this scheme is to make India's products competitive in the global market.
- When duties paid on raw materials are saved, it automatically brings down the cost of the final export product.

\*In addition to any inputs, packaging material, fuel, oil, catalyst which is consumed/ utilized in the process of production of export product, is also be allowed.



# Items that can be imported duty-free under Advance Authorization Scheme

- In the Advance Authorisation Scheme, the exporter can import raw materials duty-free.
- As per Chapter 9 of FTP para, 9.44 “Raw material” means input(s) required for the manufacturing of goods.
- These inputs either can be in a raw/ natural/ unrefined/ unmanufactured or manufactured state.
- Hence, Advance License is issued to allow duty-free import of inputs, which is physically incorporated in export products (after making normal allowance for wastage).
- In addition to this, fuel, oil, the catalyst which is consumed/utilized in the process of production of export product, may also be allowed.

# Duties Exempted under the Advance Authorisation Scheme

- Imports under Advance License are exempted from the payment of:
  - Basic Customs Duty (BCD),
  - Additional Customs Duty,
  - Education Cess,
  - Anti-dumping Duty,
  - Countervailing Duty,
  - Safeguard Duty,
  - Transition Product Specific Safeguard Duty, wherever applicable.
- Imports against Advance Authorisations Scheme for the physical exports are exempted from Integrated Tax and Compensation Cess up to 31.03.2020 only. As per Notification No. 57/2015-20 dated 31.03.2020, this exemption is renewed till 31.03.2021.

# Validity of advance Authorization scheme

- Advance Authorization is valid for 12 months from the date of issue of such Authorization.
- In the case of deemed exports, the Authorization is linked to the contracted duration of project execution or 12 months from the date of issue of such Authorization, whichever is more.

# Eligibility Criteria for Advance Authorisation Scheme DGFT

- Since Advance Authorisation Scheme comes with an actual user condition, it can be issued to either manufacturer exporter or merchant exporter tied with a supporting manufacturer.
- As per the Para 4.05(c) of the FTP, Advance Authorisation is issued for:-
  - Physical Export (including Export to SEZ).
  - Intermediate Supply, i.e. supply to someone who is holding an Advance License.
  - Supply of goods- Deemed exports.
  - Supply of 'stores' on board of foreign going vessels/ aircraft.

# Export Promotion Schemes in India

1. Merchandise Exports from India Scheme (MEIS Scheme)
2. Rebate of Duties & Taxes on Export Products (RoDTEP Scheme)
3. Service Export from India Scheme (SEIS Scheme)
4. Advance Authorisation Scheme (AAS)
5. Duty-free Import Authorisation (DFIA Scheme)
6. Duty Drawback Scheme (DBK Scheme)
7. Scheme for Rebate on State and Central Taxes and Levies (RoSCTL Scheme)
8. Export Promotion Capital Goods Scheme (EPCG Scheme)
9. EOU/EHTP/STP/BTP Schemes
10. GST Refund for Exporters / LUT Bond facility / 0.1% GST benefit for Merchant Exporters.
11. Transport and Marketing Assistance Scheme (TMA Scheme)
12. Deemed Export Benefits
13. Star Export House / Status Holder Certificate
14. Market Access Initiative (MAI Scheme)
15. Market Development Assistance (MDA) Scheme
16. Towns of Export Excellence (TEE)
17. Interest Equalization scheme (IES)
18. NIRVIK Scheme

<https://afleo.com/learn/export-incentive-schemes-india/>

# Duty Drawback (DBK)

Rs 23,920 Cr has been disbursed as Duty Drawback during FY 2021-22.

67% of shipping bills were filed under Duty Drawback during FY 2021-22.

60% of total exporters availed Duty Drawback during FY 2021-22.

45% of availed Duty Drawback was to the manufacturer exporters during FY 2021-22.



CHAPTER – 7				
EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS				
0701	Potatoes, fresh or chilled		0.15%	
0702	Tomatoes, fresh or chilled		0.15%	
0703	Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled		0.15%	
0704	Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled		0.15%	
0705	Lettuce (Lactucasativa) and Chicory (Cichorium spp.), fresh or chilled		0.15%	
0706	Carrots, turnips, salad beetroot, salsify, celeriac, radishes and similar edible roots, fresh or chilled		0.15%	
0707	Cucumbers or gherkins, fresh or chilled		0.15%	
0708	Leguminous vegetables, shelled or unshelled, fresh or chilled		0.15%	
0709	Other vegetables, fresh or chilled		0.15%	
0710	Vegetables (uncooked or cooked by steaming or boiling in water), frozen		0.15%	
0711	Vegetables provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption		0.15%	
0712	Dried vegetables, whole, cut, sliced, broken, or in powder, but not further prepared		0.15%	

0713	Dried leguminous vegetables, shelled, whether or not skinned or split			
071301	Guar Gum Refined Split	MT	0.1%	170.1

10

Tariff Item	Description of goods	Unit	Drawback Rate	Drawback cap per unit in Rs. (₹)
(1)	(2)	(3)	(4)	(5)
071399	Others		0.15%	
0714	Manioc, arrowroot, salep, jerusalem artichokes, sweet potatoes and similar roots and tubers with high starch or inulin content, fresh, chilled, frozen or dried, whether or not sliced or in the form of pellets; sago pith		0.15%	

#### CHAPTER – 8

[https://www.cbic.gov.in/resources/htdocs-cbec/customs/cs-act/notifications/notfnns-2020/cs-nt2020/csnt\\_07.pdf](https://www.cbic.gov.in/resources/htdocs-cbec/customs/cs-act/notifications/notfnns-2020/cs-nt2020/csnt_07.pdf)

EDIBLE FRUITS AND NUTS, PEEL OF CITRUS FRUIT OR MELONS				
0801	Coconuts, brazil nuts and cashew nuts, fresh or dried, whether or not shelled or peeled		0.15%	
0802	Other nuts, fresh or dried, whether or not shelled or peeled		0.15%	
0803	Bananas, including plantains, fresh or dried		0.15%	
0804	Dates, figs, pineapples, avocados, guavas, mangoes, and mangosteens, fresh or dried		0.15%	
0805	Citrus fruit, fresh or dried		0.15%	
0806	Grapes, fresh or dried		0.15%	
0807	Melons (including water-melons) and papaws (papayas), fresh		0.15%	
0808	Apples, pears and quinces, fresh		0.15%	
0809	Apricots, cherries, peaches (including nectarines), plums and soles, fresh		0.15%	
0810	Other fruit, fresh		0.15%	
0811	Fruit and nuts, uncooked or cooked by steaming or boiling in water, frozen, whether or not containing added sugar or other sweetening matter		0.15%	
0812	Fruit and nuts provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption		0.15%	

Tariff Item	Description of goods	Unit	Drawback Rate	Drawback cap per unit in Rs. (₹)
(1)	(2)	(3)	(4)	(5)
0813	Fruit, dried, other than that of headings 0801 to 0806; mixtures of nuts or dried fruits of this chapter		0.15%	
0814	Peel of citrus fruit or melons (including watermelons), fresh, frozen, dried or provisionally preserved in brine, in sulphur water or in other preservative solutions		0.15%	
CHAPTER – 9				
COFFEE, TEA, MATE AND SPICES				
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion		0.15%	
0902	Tea, whether or not flavoured			
090201	Tea in consumer packs/OTS can including tea bags		0.7%	
090299	Others		0.15%	
0903	Mate		0.15%	
0904	Pepper of the genus piper; dried or crushed or ground fruits of the genus Capsicum or of the genus Pimenta		0.15%	

[https://www.cbic.gov.in/resources/htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-nt2020/csnt\\_07.pdf](https://www.cbic.gov.in/resources/htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-nt2020/csnt_07.pdf)

# Payment of Claim Amount

- The Customs House that has the jurisdiction over the port or airport through which exports are affected makes the payment.
- Delay in Payment of Claim
  - When the claim application along with complete set of documents is submitted, an acknowledgement in the prescribed form is issued to the exporter within 15 days from the date of filing the claim.
  - The duty drawback is to be paid to the exporter within a period of two months from the date of acknowledgment.
  - In case of delay, interest @15% per annum is paid for the period of default.
  - Due to compulsory interest provision, normally, claims are settled in time.

# Do's and Don'ts of Documentation in Export Business

# 3 Major perspectives in documentation

<https://howtoexportimport.com/Tips-to-exporters-on-Documentation-404.aspx>

a) Commercial purpose:

- Once the export order finalized between buyer and seller, normally a contract of sales is prepared mentioning all terms and conditions each exporter and importer should follow.
- So all related documents like invoice, packing list, certificate of origin, insurance, bills of exchange etc. are prepared on the basis of sales contract signed by both importer and exporter.



b) Legal perspectives:

- In India, all import export trade activities are effected legally as per the guidelines of Foreign Exchange Management Act (FEMA).
- In each country, there will be government regulatory authority to control the import and export of the said country's trade.
- The government of each country has their own instructions to have export documentation legally must be filed.

### c) Incentives:

- You can not claim any government assistance, support unless you have a proper documentation on your exports.
- The documents should be prepared as per the instructions and in the right format.
- There are many financial assistance and supports given government of each country to support exporters and earn foreign exchange which is the indication of wealth of the respective nation.

Based on the above, it is clear that proper documentation plays a very important role in an export business.

<https://howtoexportimport.com/Tips-to-exporters-on-Documentation-404.aspx>

# 6 common mistakes made in export documentation

<https://digitalexim.com/6-export-documentation-mistakes-that-must-be-avoided-for-successful-international-trade/>

- 1. Categorization of goods:
- Whatever product you may choose, the classification should be done rightly in order to avoid negative consequences in future.
- The usage of codes plays a vital role here.
- Maximum 10 digit codes are to be elected for the export, like the use of ITC – HS codes (Indian Trade Clarification based on Harmonized System Codes was adopted in India for import-export operations.
- Also you need to decide whether your product really requires an export license before you ship or not.

- 2. Wrong Information on Packing and others:
- Wrong information may result in delivery of product to some completely unknown place or we can say to a wrong location or late arrival of goods.
- Any Exporter would not want this even in his worst nightmares for the sake of his export import company.
- If the packaging details are not mentioned accurately then custom officers may destroy the entire shipment.



- 3.Right person for filling various important forms:
- Normally you yourself can fill out the major forms but in case you cannot for some reason, then you must get it done by a trusted employee who is the right faithful person for this job.
- 4.Assuming preferential rates:
- *“Incorrect assumptions lie at the root of every failure.*
- One does not simply qualify for Duty free treatment of goods, for instance, if you use free trade agreements and you don't qualify, then could be fined.
- So one needs to be extra careful to save his export import business.

- 5. Product Description:
  - The product description should be very clear and that must be matched with your LoC (Letter of Credit).
  - Incorrect description can surely lead to delay in payments and shipments that any export import trader would not want.
- 6. Wrong Value:
  - After the invoice is created, the customer may ask you to change its value in order to save the money in import duties - don't do that!
  - Make sure the value of your product is suitable so that the impression of your product would not look wrong.

# Things That Can Go Wrong When Creating Export Documents

- Wrong Contact, Packing and Payment Information. ...
- Wrong Classification of Goods. ...
- Wrong Product Description. ...
- Having the Wrong Person Fill Out Dangerous Goods Forms. ...
- Wrongly Assuming Your Goods Qualify for Preferential Rates.

Thank you

