

UNIT 13 SHIPMENT OF EXPORT CARGO

Structure

- 13.0 Objectives
- 13.1 Introduction
- 13.2 Stages of Shipment
- 13.3 Central Excise Formalities
 - 13.3.1 Excise Rebate Policy
 - 13.3.2 Procedural Formalities
- 13.4 Customs Clearance Formalities
 - 13.4.1 Legal Framework
 - 13.4.2 Customs Clearance Stages
 - 13.4.3 Documentary Requirements
 - 13.4.4 Procedural Formalities
- 13.5 Port Procedures
- 13.6 Let Us Sum Up
- 13.7 Key Words
- 13.8 Answers to Check Your Progress
- 13.9 Terminal Questions

13.0 OBJECTIVES

After studying this unit, you should be able to:

- explain stages involved in shipment of goods
- discuss the policy for central excise rebate on exports
- describe procedural formalities in claiming the central excise rebate
- explain policy, procedures and documentation requirements in customs clearance of export cargo, and
- describe port procedures involved in the shipment of export cargo.

13.1 INTRODUCTION

You have learnt in unit 11 the process, procedures and documentation formalities in preparing goods for export as well as movement of goods from the inland production centres to the port of loading. At the port of loading, two main formalities are involved: i) Getting permission from the customs authorities to ship the goods; and ii) Getting permission from the port authorities to bring the cargo into the shipment shed where the goods will have to be brought for loading into the carrier. After the goods have been loaded, the exporter, through the clearing and forwarding agent, will proceed to obtain "fact of shipment" certification on different documents. This will help the exporter in claiming some of the major export incentives. In this unit, you will learn various stages involved in the shipment of goods and policy and procedure of central excise formalities. You will also be acquainted with the formalities of customs clearance.

13.2 STAGES OF SHIPMENT

For effecting shipment from ports in India, the exporter, generally through his clearing and forwarding agent, has to comply with procedural formalities of the customs and port authorities separately. In addition, he has also to obtain permission from the shipping companies (or their agents) for bringing the cargo into the shipment shed according to the "loading plan" of the ship. Specifically, the stages of the shipment process are:

- 1) Filing of documents with the customs authorities for checking genuineness of the transaction and for obtaining examination order;
- 2) Payment of port charges;
- 3) Obtaining permission of the shipping company to bring cargo into the shipment shed;
- 4) Obtaining permission from the shed superintendent for bringing the cargo into the shipment shed;
- 5) Arranging for transport of cargo to move into the shipment shed through Port Gate;
- 6) Permission of the Gate Inspector to move cargo into the port area;
- 7) Unloading of cargo in the shipment shed;
- 8) Examination of cargo by the Customs Authorities and obtaining "Let Export" Order;
- 9) Obtaining "Let Ship" Order from the customs preventive officer prior to loading;
- 10) Issuance of Mate's Receipt by the Master of the vessel.
- 11) Obtaining "fact of shipment" certificate from the Customs Preventive Officer.

13.3 CENTRAL EXCISE FORMALITIES

It is common practice all over the world that the exports are not to bear the burden of indirect taxes. Export goods are either exempted from such taxes or these taxes are refunded, if exemption is not possible. In India, indirect taxes are levied at the central, state and local levels on the inputs as well as on the final products. Import and excise duties levied on production and packing inputs are refunded under the Drawback Rules. Central Excise duties on the inputs used in manufacturing export products as well as on final export products is either exempted through production under bond or is refunded after export. The Government of India has laid down procedure for either getting the duty refunded or exemption from payment of duty.

13.3.1 Excise Rebate Policy

The scheme under which the Central Excise exemption or refund is provided is popularly known as Rebate of Central Excise. This scheme operates under section 37 of the Central Excise and Salt Act, 1944, as amended from time to time as well as the relevant Excise Rules. According to the recent amendment in lieu of the Rules 12, 12A and 191A of the Central Excise Rules, only one Rule 12 operates for exports under claim for rebate of duty. The rebate is granted on the duty levied at finished product and on inputs for this finished product. Rule 13, 191-BB of Central Excise Rules has been integrated into Rule 13.

13.3.2 Procedural Formalities

Let us now discuss various procedural formalities of excise rebate.

Refund Procedure under Rule 12: The authorities involved in the Rule are: i) Jurisdictional Central Excise Authority known as Central Excise Range Superintendent under whose jurisdiction the manufacturing unit is located; ii) Maritime Central Excise Authority located at the port. Rebate may be either claimed from Jurisdictional Assistant Collector of Central Excise or Maritime collector.

The documents required under Rule 12 are:

- i) Invoices to be filled in four copies.
- ii) AR 4/AR 5 Form to be filled in six copies.

The procedure followed is as under:

- i) The exporters prepare four copies of Invoices giving all detail of the consignment.

- ii) The excisable goods, which are to be exported under claim for rebate, are to be marked as export cargo in individual packages.
- iii) These marks and numbers are to be specified on AR4/AR5 Forms, all the 6 copies.
- iv) Personal Ledger Account (PLA) is to be filled in specifying the amount of duty applicable to the export consignment as debit. In PLA the credit balance of the deposit account spent by the individual manufacturer with the central excise authority is shown. Each time when goods are cleared, the amount of duty applicable to the goods to be cleared is debited and the balance is shown in the balance column.
- v) All 6 copies of AR4/AR5 Forms are to be presented to the Range Superintendent before clearance of the cargo. Under the Self-Removal Procedure (SRP) Presence of the central excise officer at the factory at the time of clearance is not necessary. But in those cases where physical examination by the central excise officer is solicited before the clearance of the cargo, 6 copies of AR4/AR5 Forms should be presented to the Range Superintendent at least 24 hours before the goods are to be removed from the factory.
- vi) After verifying the details given in the afore-mentioned documents, the Range superintendent allows clearance of the cargo from the factory for onward transmission to the port of shipment. Following endorsement are to be given in all the 6 copies of AR4/AR5 Forms.
"Allowed to export under claim for Central Excise Rebate".
- vii) The original and duplicate copies of AR4/AR5 Forms are handed over to the exporter; the triplicate copy is sent to the Maritime Central Excise Collectorate-Refund section, having jurisdiction over the port wherefrom the goods are to be shipped; the fourth copy is sent to the Chief Accounts officer (CAO) of the Maritime Central Excise Collectorate concerned; the 5th copy is retained by Range Superintendent for his record and future reference. The sixth copy is also to be given to exporter or his authorised agent.
- viii) The original, duplicate and sextuplicate copies of AR4/AR5 Forms are to be submitted to the Export Department of Customs House alongwith other shipping documents to prove that formal central excise clearance has been obtained from the jurisdictional Central Excise Authority.
- ix) If custom officer is satisfied, he would make endorsements in the original, duplicate and sextuplicate copies of AR4/AR5 Forms. The officer returns original and sextuplicate copies to the exporter and sends duplicate copy to the Rebate sanctioning Authority.
- x) Rebate claim may be filed either from Maritime Collector or Jurisdictional Assistant Collector of Central Excise.
- xi) Following documents should be filed for claiming rebate:
 - a) Application in prescribed form.
 - b) Original copy of AR4/AR5 Form.
 - c) Duplicate copy of AR4 in sealed cover received from customs officer, if required
 - d) Duly attested copy of Bill of lading
 - e) Duly attested copy of shipping Bill (Export promotion copy)
 - f) Disclaimer certificate in case where claimant is other than exporter.

Exemption under Bond under Rule 13: The procedure under this Rule is similar to the one under Rule 12, except that under this Rule appropriate bond is to be executed.

Under this Rule there is no PLA (Public Ledger Account) as no duty is paid. The main documents are Invoice and AR4/AR5 Forms. Same procedure is followed as under Rule 12,

except that instead of getting refund amount, the exporter gets release from the bond after exporter. You will learn detail procedure for Excise clearance in Unit-16, Block 4.

Check Your Progress A

- 1) List four documents required under Rule 12 for excise refund.
.....
.....
.....
.....
- 2) State whether the following statements are **True** or **False**.
 - i) Export goods are either exempted from indirect taxes or these taxes are refunded.
 - ii) AR 4/AR5 Forms are submitted in 8 copies.
 - iii) Invoices need not be submitted under Rule 12.
 - iv) Maintenance of Public Ledger Account is allowed under Rule 13.

13.4 CUSTOMS CLEARANCE FORMALITIES

Under section 40 of the Indian Customs Act, an overseas carrier cannot permit loading of goods without permission from the customs authorities. The permission is to be obtained by the exporter, generally through his clearing and forwarding agent. Let us now discuss various aspects of customs formalities.

13.4.1 Legal Framework

Section 50 of the Indian Customs Act requires the exporter to file a declaration in a prescribed form and submit supporting documents to enable the customs authorities to check declarations made by the exporter. The objectives of the customs control are:

- i) to ensure that nothing goes out of the country against the laws of the land and that prohibitions and restrictions regarding outward cargo are duly enforced by the customs authorities;
- ii) to ensure authenticity of the value of outward cargo according to the customs valuation rules to check over and under invoicing;
- iii) to assess and realise export duty/cess/charge according to the customs Tariff Act and any other fiscal legislation;
- iv) to check that all the relevant regulatory provisions enforced by various authorities in the country have been duly complied with in respect of export; and
- v) to provide export data through the customs returns.

13.4.2 Customs Clearance Stages

There are four stages of customs involvement. These are:

- i) Processing of documents at the Customs House i.e. the main office. This stage involves: i) checking up of documents to ensure that all relevant documents have been submitted; ii) verification of quantity and value of goods; iii) verification and determination of rate of duty and collection of the duty amount; (iv) direction for the customs officer in the docks for physical examination of goods;

- ii) Physical examination of goods in the docks in accordance with the examination order given at the Customs House;
- iii) Supervision of loading by the Customs Preventive Officer; and
- iv) Post-shipment endorsements by the Customs Preventive Officer.

13.4.3 Documentary Requirements

For movement of goods by air or by sea, the customs permission for shipment is given on a prescribed document, known as Shipping Bill. In other cases (i.e. by road/rail) the document is known as Bill of Export. There are four types of Shipping Bill/Bill of export.

These are:

- i) **Dutiable Shipping Bill/Bill of Export** for those goods which attract export duty/cess;
- ii) **Drawback Shipping Bill/Bill of Export** for those goods which are covered by the Duty Drawback scheme;
- iii) **Free Shipping Bill/Bill of Export** for those goods which neither attract export duty/cess nor are covered by the Duty Drawback scheme;
- iv) **EX-bond Shipping Bill/Bill of Export** for those goods, which are shipped from the customs, bonded warehouse.

Exporter or his agent submits the following documents to the customs department.

- i) Shipping Bill (in duplicate, triplicate or quadruplicate) duly filled in and signed.
- ii) Declaration regarding truth of statement made in the Shipping Bill
- iii) Invoice copy
- iv) GR Form
- v) Export Licence (wherever required)
- vi) Quality Control Inspection Certificate (wherever required)
- vii) Original Contract wherever available or correspondence leading to contract
- viii) Contract registration certificate (wherever applicable)
- ix) Letter of credit (wherever applicable)
- x) Packing List
- xi) AR4/AR5 Forms (original and Duplicate)
- xii) Any other documents

13.4.4 Procedural Formalities

The Shipping Bill and the other documents are submitted to the Custom House as soon as the Rotation No. has been given to the carrier. As soon as the documents are filed in the Custom House, the Receiving clerk will stamp the Shipping Bills with date and time and number them according to their category. The Shipping Bills involving foreign exchange will be sent to the Appraisement Section where they are allotted to Appraisers and Examiners for scrutiny and giving examination order. While the Appraisers will examine the Dutiable and Drawback Shipping Bills, Free Shipping Bill will be examined by the Examiners.

The verification of the shipping bills will be carried out with reference to value and quantity of goods, export licence/quota/permit, compliance with other statutory requirements, rate and amount of export duty, etc.

After verification of shipping bill, the customs Appraiser/Examiner will give an "examination order" on the Duplicate shipping bill. This "order" will enable the customs officer to carry out physical examination of goods in the docks. The "examination order" will also be counter-endorsed by the principal Appraiser.

After completion of formalities at the Appraisement section, the documents are given to the GR Form Clerk who puts the shipping bill no. On the GR form and detaches the original to be sent to the RBI. Further, where export duty is to be paid, the documents are given to the exporter/agent to pay it at the cash and accounts Department. After payment of duty, Shipping Bill (original) is detached and other documents are given to the exporter/agent. In other cases, shipping bill (original) is retained at customs house and other documents are given to the exporter/agent for bringing the goods to the shipment shed and make shipment arrangement.

The second stage of customs formalities is to carry out physical examination of goods in the shed. The goods can be brought into the shed only after completing port formalities. Once the goods have been brought in, the exporter/agent will present the shipping bill to the custom shed Appraiser/Examiner along with the following documents.

- i) Invoice,
- ii) Packing list,
- iii) AR4/AR5 forms,
- iv) Agmark certificate (wherever applicable).

The shed Appraiser/Examiner would carry out physical examination according to the "examination order" given on shipping bill (duplicate). Once this activity is over, the Examiner will give "Let Export" order on the shipping bill (duplicate) which constitutes the physical examination report.

After the physical examination report, the customs preventive officer at the docks gives permission for shipment on the shipping bill (Duplicate) in the form of "Let Ship" order. This copy is then presented to the master of the carrier, who then in consultation with the concerned customs preventive officer, commences loading operation.

The master of the carrier, after receiving consignments on board issues "Mate's Receipt", which is obtained by the exporter or his agent through the shed superintendent after paying port dues. The Mate's Receipt provides the basis for certification of the "fact of shipment" on those documents where it is needed for claim of export incentives. These documents are AR4/AR5 Form, Export promotion copy of shipping bill, GR (duplicate) and Commercial Invoice.

13.5 PORT PROCEDURES

Export cargos can be brought into the port only after the ship has been allotted a berth and declared for loading. Some port authorities in India require the shippers to pay port charges and have their shipping bills passed by the Customs House before bringing goods to the docks. At the Bombay port, however, shippers have the facility of paying charges after shipment.

Before bringing the cargo to the shipment shed, the shipper has to obtain "carting permission, from the shed superintendent and also the ship's agent on the prescribed document. This document is known differently at different ports, e.g., Dock challan at Calcutta, Port Trust Copy of the shipping bill at Bombay and Export Application at other ports in India. When goods are brought at the dock gate, the shipper has to present the port document and the Vehicle Ticket (in duplicate) to the Gate Inspector. At the gate, the documents are compared and checked to ensure that such goods as have been permitted are brought to the docks for shipment. The packages, bundles, cases in each vehicle are counted to see that their number tallies with the number mentioned in the respective vehicle tickets. Vehicles

are then allowed to move to the concerned shipment shed and particulars of cargo passed through the gate recorded in a register maintained at this point.

Coinciding with the arrival of the vehicles in the shipment shed, the shipper submits the Vehicle Ticket duly endorsed by the Gate Inspector, Export Application/Dock Challan/Port Trust copy of shipping bill, shipping bill (duly passed by customs) and a receipt in lieu of payment of port charges, where necessary, to the shed superintendent. As cargo is unloaded in the shipment shed, details of the cargo received are entered in the 'Shed Export Cargo Register' which is maintained shipper-wise and shipwise.

The shipper then approaches the customs Appraiser and the customs preventive officer for physical Examination of Goods and obtains 'Let Export/Let Ship' endorsements in the Port Trust's documents also. The cargo is then allowed to be shipped. On completion of shipment, details of cargo actually shipped are recorded in the 'Shed Export Cargo Register; from the 'Shipping Tally Sheets' which are maintained by the port Trust and also the shipping lines.

On receipt of cargo on board, the Master of the vessel issues a document called the 'Mate's Receipt' in respect of every shipment taken on board. At some ports, the issuance of **Mate's Receipt** is preceded by another document, which has to be exchanged for the Mate's Receipt. The Mate's Receipt is subject to the terms and conditions stated in the shipping company's regular Bill of Lading. At most ports in India, the port authorities collect the Mate's Receipts from the Master or the chief officer of the vessel and pass them on to the respective shippers only after ensuring receipt of all port dues. The port authorities accept no claused Mate's Receipts, unless authorised by the shipper (s).

After collecting the Mate's Receipt, the shipper (exporter or his agent) prepares the Bill of Lading on blank forms supplied to him by the shipping company. He presents 2/3 originals and some non-negotiable copies of the document at the shipping company's office for signature of the authorised officer alongwith the Mate's Receipt. The Mate's Receipt is an important document because it is required to be exchanged for the bill of lading. The shipper must, therefore, collect this document from the shed superintendent immediately after it has been received by the latter to avoid delays and problems, which might follow if this is not collected in time.

Bills of Lading may be marked 'Freight paid' or 'Freight to pay'. If the freight is pre-paid, i.e., paid by the exporter, the Bill of Lading is marked or stamped to that effect and where freight is not pre-paid, the Bill of Lading is marked 'Freight to pay' or 'Freight collect'. The shipping company retains the Mate's Receipt. Before signing and parting with the bills of lading, the shipping company ensures that all the clauses appearing on the Mate's Receipt are reproduced on the Bills of Lading also.

Check Your Progress B

1. Write two main objectives of the customs control.

2. State whether the following statements are **True** or **False**.
 - i) Under section 40 of the Indian customs Act, an overseas carrier cannot permit loading of goods without permission from the customs authority.
 - ii) The goods can be brought into the shed without completing port formalities.

- iii) 'Let Export; order on shipping bill shows the physical examination report of the goods.
 - iv) Carting permission is obtained from the shed superintendent.
3. Fill in the blanks:
- i) The relevant excise Rule under which central excise duty paid on final products is refunded in full is
 - ii) Requires the exporter to file a declaration in a prescribed form and submit supporting documents to enable the customs authorities to check declarations made by the exporter.
 - iii) For movements of goods by air or sea, the customs permission for shipment is given on.....
 - iv) The master of the carrier, after receiving consignments on board, issues.....

13.6 LET US SUM UP

Exporters have to comply with procedural formalities of the customs and port authorities before the shipment of the goods. Export goods are either exempted from indirect taxes or these taxes are refunded. The scheme under which the central excise exemption or refund is provided is known as rebate on central excise. The rule under which central excise duty paid on final products is refunded in full is Rule 12.

Under Section 40 of the Indian Customs Act, an overseas carrier cannot permit loading of goods without permission from the customs authorities. Custom control ensures that nothing goes out of the country against the laws of the land. Various stages of customs clearance involve (i) processing of documents of customs house (ii) physical examination of goods in the dock (iii) supervision of loading by the customs preventive officer. After the physical examination report, the customs preventive officer at the docks gives permission for shipment on the shipping bill in the form of "Let Ship" order. When consignments are received on board the master of the carrier issues Mate's Receipt.

13.7 KEY WORDS

Mate's Receipt: A receipt issued by the master of the carrier after receiving consignments on board.

Rebate of Central Excise: The scheme under which the central excise exemptions or refund is provided.

13.8 ANSWERS TO CHECK YOUR PROGRESS

- A 2 i) True ii) False iii) False iv) False
- B 2 i) True ii) False iii) True iv) True
- 3 i) Rule 12 ii) Section 50 of Indian Customs Act. iii) Shipping Bill
 iv) Mate's Receipt

13.9 TERMINAL QUESTIONS

- 1) Describe various stages involved in the shipment of export cargo.
- 2) Describe the procedures of obtaining excise rebate under excise rebate policy.

- 3) Can you export the goods without permission from the customs authorities? What are the objectives of customs control?
- 4) Describe various stages involved in customs clearance.

UNIT 14 CUSTOM CLEARANCE OF IMPORT CARGO

Structure

- 14.0 Objectives
- 14.1 Introduction
- 14.2 Objectives of Custom Clearance
- 14.3 Legal Framework
- 14.4 Basic Information, Documents and Duties
 - 14.4.1 Basic Information
 - 14.4.2 Documents
 - 14.4.3 Duties
- 14.5 Stages of Custom Clearance
- 14.6 Procedure of Custom Clearance
- 14.7 Electronic Data Interchange (EDI)
- 14.8 Let Us Sum UP
- 14.9 Key Words
- 14.10 Answers to Check Your Progress
- 14.11 Terminal Questions

14.0 OBJECTIVES

After studying this unit, you should be able to:

- describe the objectives of custom clearance
- explain the legal framework
- discuss the basic information, documents and related duties
- describe the stages of custom clearance
- explain the procedure of custom clearance
- discuss the Electronic Data Interchange System.

14.1 INTRODUCTION

The concept of customs operation is as old as the trade itself. In the olden days, there was a tradition followed by traders of offering gifts, etc. to kings to be able to sell their merchandise in different territories. The same practice has been formalized in the modern economic and political systems. Goods are subjected to levy of duties, whenever they cross the national frontiers/boundaries of a country. Despite all efforts in favour of free trade, collection of revenue is still on priority of the Commissioner in charge of a Customhouse. In this unit, you will learn the objectives, legal framework, basic information, documents and duties related to custom clearance of import cargo. You will further study the stages and procedure of custom clearance and the operation of Electronic Data Interchange System.

14.2 OBJECTIVES OF CUSTOM CLEARANCE

Apart from being a source of revenue, the major objectives of customs clearance are as follows:

Check smuggling: Those transactions which do not take place in accordance with provisions of different laws in force in India amounts to smuggling. It is the duty of customs administration to check such transactions.