

Question No. 3 State the stages of shipment of export cargo. Explain the Customs clearance of export cargo by sea along with the documentation formalities.

Solution:

STAGES OF SHIPMENT

For effecting shipment of export cargo 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 export cargo into the shipment shed according to the “loading plan” of the ship. Specifically, the stages of the shipment process of export cargo 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 export 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

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.

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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 custom authorities to check declaration made by the exporter. The objective of the custom controls are:

1. 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;
2. to ensure authenticity of the value of outward cargo according to the customs valuation rules to check over and under invoicing;
3. to assess and realise export duty/cess/charge according to the customs Tariff Act and any other fiscal legislation;
4. to provide export data through the customs returns.

2. Customs Clearance Stages

There are four stages of customs involvement. These are:

1. Processing of documents at the Customs House i.e. the main office. This stage involves: a) checking up of documents to ensure that all relevant documents have been submitted; b) verification of quantity and value of goods; c) verification and determination of rate of duty and collection of the duty amount; (d) direction for the customs officer in the docks for physical examination of goods;
2. Physical examination of goods in the docks in accordance with the examination order given at the Customs House;
3. Supervision of loading by the Customs Preventive Officer; and
4. Post-shipment endorsements by the Customs Preventive Officer.

3. Documentary Requirements

For movement of goods by sea, the customs permission for shipment is given on a prescribed document, known as Shipping Bill. There are four types of Shipping Bills These are:

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1. **Dutiable Shipping Bill:** for those goods which attract export duty/cess;
2. **Drawback Shipping Bill:** for those goods which are covered by the Duty Drawback scheme;
3. **Free Shipping Bill:** for those goods which neither attract export duty/cess nor are covered by the Duty Drawback scheme;
4. **EX-bond Shipping Bill:** for those goods, which are shipped from the customs, bonded warehouse.

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

1. Shipping Bill (in duplicate, triplicate or quadruplicate) duly filled in and signed.
2. Declaration regarding truth of statement made in the Shipping Bill
3. Invoice copy
4. GR Form
5. Export Licence (wherever required)
6. Quality Control Inspection Certificate (wherever required)
7. Original Contract wherever available or correspondence leading to contract
8. Contract registration certificate (wherever applicable)
9. Letter of credit (wherever applicable)
10. Packing List
11. AR4/AR5 Forms (original and Duplicate)
12. Any other documents

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 Appraisal 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.

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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 Appraisal 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.

1. Invoice,
2. Packing list,
3. AR4/AR5 forms,
4. 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.

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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.