A COMMENTARY

ON

“HOW TO EXPORT”

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Introduction

As per Section 2(e) of the Foreign Trade (Development & Regulation) Act, 1992, the term export is defined as an act of taking out of India any goods by land, sea or air and with proper transaction of money. However, in simple terms, export may be defined as the selling of goods to a foreign country. India's Foreign Trade i.e. Exports and Imports are regulated by Foreign Trade Policy released by the Ministry of Commerce under FT(D&R) Act, incorporating provisions relating to export and import of goods and services.

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 or a Partnership firm or a Company has to be set up. While a sole Proprietary business or a Partnership firm can be set up easily without much expenses and much legal formalities, a Private Limited Company or a Public Limited Company are required to have the minimum prescribed members as shareholders and such Companies are required to be registered with the Registrar of Companies.

2) Name & Style of the Business

After finalizing the business organization (Proprietorship, Partnership, etc.), it is essential to give a name to the business. A simple and attractive name with a good logo is advisable.

3) Opening a Bank Account

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

4) Obtaining Permanent Account Number (PAN)

It is necessary for every exporter and importer to obtain a PAN from the Income Tax Department.

5) Obtaining Importer-Exporter Code (IEC) Number

No export or import is allowed to any person without an IEC number. Application for obtaining IEC Number is made online at DGFT website http://dgft.gov.in in the prescribed form ANF 2A. The fee for new IEC or amendment in existing IEC is Rs. 500/. The prescribed documents in case of proprietorship firm are digital photograph, PAN Card, Copy of Passport (first & last page)/ Voter's I-Card/ Driving Licence/ UID (Aadhar Card), Address Proof (Sale deed in case business premise is self owned; or Rental/ lease Agreement, in case office is rented/ leased; or latest electricity/ telephone bill and Bank Certificate as per ANF 2A(I)/ Cancelled Cheque bearing pre-printed name of applicant and a/c no. Applicants with digital signatures would sign the application with their digital signature and submit the same online. In case the applicant does not possess digital signature, then he would be required to take a print out of the filled up application (without attachments), sign the same and submit it to the concerned RA, either by Post or at the counter.

6) Selection of product

Barring a few items like live exotic birds, product of animal origin, pulses, etc. all products are now freely exportable. After studying the trends of export of different products from India proper selection of the product(s) to be exported may be made. A key success factor in starting any export Company is clear understanding and detail knowledge of products to be exported. There would be little competition and higher demand for a unique product.

7) Selection of Markets

An overseas market should be selected after careful research of it taking into consideration all aspects political situation, market penetration by competitive countries and products, quality requirement and payment methods, price affordability, demand stability, etc. Growing markets are usually better targets for exports. Export promotion agencies, Indian Missions abroad, colleagues, friends, and relatives might be helpful in collection of data leading to informative knowledge of the markets.

8) Finding Buyers

In today's Internet Age browsing internet is the effective tool to find out buyers. Visiting/participating in International Trade Fairs, Buyer-Seller Meets, Exhibitions in India and abroad, collecting addresses/enquiries from publications/journals/overseas Missions in India and making effective correspondence would lead to find out prospective buyers. Besides, Export Promotion Agencies, Indian Missions abroad, Overseas Chambers of Commerce friends & relatives residing in foreign countries may be helpful. Creating own Website showing product catalogue, price, payment terms and other related information would also help.

9) Sampling

Foreign buyers often ask for samples of the product in physical form. Sending attractive and informative samples made of good quality material and having retention value would help to procure export order.

10) Pricing/Costing

Product pricing is crucial in getting buyers' attention, promoting sales and facing 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.

11) 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. This may be compensated by minimizing costly errors/expenses, generating repeated business and available export benefits.

12) Covering Risks through ECGC

In international trade risks like credit, countries etc. are involved. 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.

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 lodgement 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. Normally Banks give 75% to 90% advances of the value of the order keeping the balance as margin. Banks adjust the packing credit advance from the proceeds of export bills negotiated, purchased or discounted.

Post Shipment finance is given to exporters normally up to 90% of the Invoice value for normal transit period and in cases of usance export bills up to notional due date. The maximum period for post-shipment advances is 180 days from the date of shipment. Advances granted by Banks are adjusted by realization of the sale proceeds of the export bills. In case export bill becomes overdue Banks will charge commercial lending rate of interest.

v. Labelling, 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 policies 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 Centres 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 Centre 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.

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

Normally, documents required for Customs Clearance are Invoice, Packing List, Shipping Bill, Declaration under Foreign Exchange Regulations, buyer's Order/LC and instructions form for the CHA. Other documents such as specified declarations/certificates for specific products by the concerned Government Authorities/Agencies Certificate of Origin/GSP Certificate, etc. may also be required.

x. Transportation Documents

- Airway Bill for Air shipment
- Bill of Lading for Sea shipment
- Postal Receipt for By Post shipment

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.

Registration with EPCs/Organizations/Authorities/Commodity Boards

There are 37 Export Promotion Councils/Organizations/Authorities/Commodity Boards for the promotion of various goods exported from India in international market. EPC works in close association with the Ministry of Commerce and Industry, Government of India and act as a platform for interaction between the exporting community and the government. Similarly, Commodity Board is registered agency designated by the Ministry of Commerce, Government of India for purposes of export-promotion and has offices in India and abroad. So, it becomes important for an exporter to obtain a registration cum membership certificate (RCMC) from the EPC/Commodity Board. An application for registration should be accompanied by a self-certified copy of the IEC number. Membership fee should be paid in the form of cheque or draft after ascertaining the amount from the concerned EPC/Commodity Board. The RCMC certificate is valid from 1st April of the licensing year in which it was issued and shall be valid for five years ending 31st March of the licensing year, unless otherwise specified. (Export Promotion Councils, Commodity Boards and Other Organization)

1. Export Promotion Schemes -

Foreign Trade Policy 2009-14 provides several promotional measures to boost India's exports. Brief of these measures are as under:

1.1 Assistance to States for Developing Export Infrastructure & Allied Activities (ASIDE) Scheme

The objective of ASIDE Scheme is to establish a mechanism for involving the State Government to participate in funding of infrastructure critical for growth of exports by providing export performance linked financial assistance to them. The activities aimed at development of infrastructure for exports can be funded from the Scheme provided such activity has overwhelming export content and their linkage with exports if fully established.

1.2 Market Access Initiative (MAI) Scheme

Under the Scheme, financial assistance is provided for export promotion activities on focus country, focus product basis to EPCs, Industry & Trade Associations, etc. The activities are like market studies/surveys, setting up showroom/warehouse, participation in international trade fairs, publicity campaigns, brand promotion, reimbursement of registration charges for pharmaceuticals, testing charges for engineering products abroad, etc. Details of the Scheme is available at www.commerce.nic.in

1.3 Marketing Development Assistance (MDA) Scheme

Financial assistance is provided for a range of export promotion activities implemented by EPCs and Trade Promotion Organizations on the basis of approved annual action plans. MDA assistance is available for exporters having an annual export turnover upto Rs. 30 crores as prescribed in MDA guidelines available at www.commerce.nic.in

1.4 Towns of Export Excellence (TEE)

Selected towns producing goods of Rs. 750 crores or more are notified as TEE on potential for growth in exports and provided financial assistance under MAI Scheme.

1.5 Status Holder Scheme

Upon achieving prescribed export performance, status recognition as Export House, Star Export House, Trading House, Star Trading House and Premier Trading House is accorded to the eligible applicants as per their export performance. Such Status Holders are eligible for various non-fiscal privileges as prescribed in the Foreign Trade Policy**.**

1.6 Served From India Scheme:

Served from India Scheme (SFIS) incentivizes exports of specified services by identified Indian service providers who have free foreign exchange earning of at least Rs.10 lakhs in preceding financial year/current financial year. For individuals, the limit of minimum free foreign exchange earnings is Rs.5 lakhs. Duty credit scrip @ 10% of free foreign exchange earnings is issued to relevant exporters. From 2013-14, the SFIS benefit is allowed on the Net foreign exchange earned.

Scrip may be used for import of capital goods including spares, office equipment and professional equipment, office furniture or consumables that are related to the applicant's service sector business. Further, w.e.f. 18.4.2013, for service provider who is also engaged in manufacturing activity, the import of capital goods including spares related to its manufacturing sector business is permitted, subject to certain conditions. The goods should be otherwise freely importable and/or restricted under ITC (HS). However, items listed in appendix 37B of HBP v1 cannot be imported. In case of specified hotels, clubs, etc the duty credit scrip can also be used to import food items and alcoholic beverages.

The import of vehicles is not permitted. However, the vehicles which are in the nature of professional equipment (and are not personal vehicles) for use by the service provider in his regular service business are permitted. For this purpose, w.e.f. 18.4.2013, motor cars, sports utility vehicles and all purpose vehicles for the service provider hotels, travel agents, tour operators or tour transport operators and companies owning or operating golf resorts, shall not be regarded as personal vehicles, subject to condition that Customs Authority endorses the bill of entry at the time of clearance specifying that the vehicles shall be registered as vehicle for tourist purpose only and the vehicle is so registered and a copy of the registration certificate to that effect is submitted to the concerned Customs authority as a confirmation of import of vehicle within six months from the date of import and the said vehicle is used for tourist purpose only.

The SFIS scrip is permitted to be utilized for procurement from domestic sources. The goods imported/procured against the SFIS scrip shall not be transferred or sold. Transfer of goods may be allowed subject to actual user condition within the group company or managed hotel.

[Refer Notifications No.91/2009-Cus dated 11-9-2009, No. 34/2006-CE dated 14-6-2006 and Circulars No. 837/14/2006-CX dated 3-11-2006 and No.18/2012-Cus dated 5.7.2012]

1.8 Vishesh Krishi and Gram Udyog Yojana (VKGUY) Scheme

VKGUY incentivizes exports of specified agricultural products, Gram Udyog products and forest based products so as to compensate high transport costs and offset other disadvantages by grant of freely transferable duty credit scrips @ 5% of FOB value of exports in free foreign exchange. Certain products are also given duty credit scrips equivalent to 2% of FOB value of exports in addition to the normal scrips. VKGUY scrips can be used for import of items except those listed in appendix 37B of HBP v1 or for domestic procurement or for payment of service tax on procurement of services. The scheme is implemented vide Notifications No.95/2009-Cus dated 11-9-2009, No. 32/2012- CE dated 9.7.2012 and 8/2013-ST dated 18-4-2013 and 8/2013-ST dated 18-4-2013.

1.9 Agri. Infrastructure Incentive Scrip (AIIS) Scheme:

Agri. Infrastructure Incentive Scrip (AIIS) is issued to Status Holders exporting specified agricultural products @ 10% of FOB value of agricultural exports (including VKGUY benefits), subject to the condition that the total benefits to all status holders put together does not exceed Rs. 100 Cr (Rs. 50 Cr for each half year) in a year. Certain capital goods / equipment are permitted for import or domestic procurement against AIIS. The goods are subject to actual user condition and non-transferable, while the AIIS scrips have transferability amongst Status Holders as well as to Units (not including developers) in Food Parks for import of Cold Chain equipment. AIIS is transferable to a supporting manufacturer subject to certain conditions. The scheme is implemented vide Notifications**No.94/2009-Cus., dated 11-9-2009 and No.31/2012-CE., dated 9-7-2012.**

1.10 *Focus Market Scheme (FMS):*

The FMS seeks to offset high freight cost and other externalities to select international markets. Export of all products (except certain categories of ineligible products/ sectors) to specified countries (Appendix 37C) shall be entitled to a duty credit scrip equivalent to 3% or 4% of FOB value of exports in free foreign exchange. The scheme is implemented vide Notifications **No. 93/2009-Cus dated 11-9-2009 and No. 30/2012-CE., dated 9-7-2012 and 6/2013-ST dated 18-4-2013.**

1.11 Incremental Export Incentivisation (IEI) Scheme

Duty credit scrip @ 2% is issued on the incremental growth achieved in exports during the period January to March 2013 over January to March 2012. Similarly, duty credit scrip @ 2% shall be issued on the incremental growth achieved in exports during the period 2013-14 over 2012-13. This scheme is region specific. The incremental growth is in respect of each exporter, without scope for combining exports for group-company or for transferring export performance from any other IEC holder and it is in terms of freely convertible currency to designated markets. There are categories of ineligible exports. This benefit is over and above any benefit being claimed under any of the Chapter 3 Schemes.

The scheme is implemented vide Notifications No. No. 93/2009-Cus dated 11-9-2009 and No. 30/2012-CE., dated 9-7-2012 and 6/2013-ST dated 18-4-2013.

1.12 Focus Product Scheme (FPS):

The FPS incentivizes export of specific products so as to offset infrastructural inefficiencies and other associated costs involved in marketing of these products. The entitlement is 2% of FOB value of exports in free foreign exchange. However, Special Focus Product(s)/sector(s) are eligible for duty credit equivalent to 5%. Further, certain products(s)/sector(s) are entitled to 2% duty credit in addition to the above benefits.

The scheme is implemented vide Notifications No. 92/2009-Cus. Dated 11-9-2009 and 29/2012-CE dated 9-7-2012 and 7/2013-ST dated 18-4-2013.

1.13 Market Linked Focus Product Scheme (MLFPS):

A variant of FPS Scheme is the MLFPS Scheme. Duty credit @ 2% of FOB value of exports (in free foreign exchange) under FPS when exported to the Linked Markets (countries), which are not covered in the FMS list, is granted.

The scheme is implemented vide Notifications No. 92/2009-Cus. Dated 11-9-2009 and 29/2012-CE dated 9-7-2012 and 7/2013-ST dated 18-4-2013.

Only one benefit under Chapter 3 Schemes can be claimed for a particular shipment.

1.14 Status Holders Incentive Scrip (SHIS):

The SHIS Scheme has since been dispensed with w.e.f. 1.4.2013

Earlier Status Holders of specified sectors were entitled to the SHIS scrip at 1% of FOB value of exports of the specified sectors made during the years 2009-10, 2010-11 and 2011-12 and 2012-13 so as to promote investment in up-gradation of technology. SHIS is not issued to the exporters in a particular year if they have in that year availed the benefits of Technology Up-gradation Fund Scheme (TUFS) or/and have got Zero duty EPCG Authorization. SHIS is issued with actual user condition and may be used for imports of capital goods (as defined in FTP) except those mentioned in appendix 37B of HBP v1 relating to certain specified sectors. It may also be used for import of a limited quantity of spares for already imported capitalgoods, subject to conditions.**With effect from 5.6.2012 a limited transferability amongst status holders is permitted provided the transferee status holder is a manufacturer. With effect from 18.4.2013, SHIS is also permitted for transfer to a manufacturer**

group-company of the status holder when endorsed by the Regional Authority mentioning the sector for which the transferee has manufacturing facility. The SHIS scrip can also be used for domestic procurement. The Notifications are No.104/2009- Cus., dated 14-9-2009 and No.33/2012-CE., dated 9-7-2012.

1.15 Other Utility of Duty Credit Scrips

Clearance of goods from Custom Bonded warehouses utilizing duty credit scrips of SFIS, VKGUY, FMS, FPS, SHIS is allowed as per CBEC Circular No. 50/2011-Cus., dated 9-11-2011 read with Circular No.72/2003-Cus and

Circular No.68/2000-Cus. These Scrips can also be utilised for payment of Customs Duties in case of export obligation default for Authorisation issued under Chapter 4 & 5. However, SFIS & SHIS Scrips cannot be utilized for defaults under Chapter 4 of FTP.

2. Duty Exemption & Remission Schemes

2.1 Advance Authorization Scheme:

Advance Authorisations (AA) are issued to allow duty free import of inputs that are physically incorporated in the export product (after making normal allowance for wastage). The holder is required to fulfill the export obligation (EO) by exporting specified quantity/value of the resultant product. AA normally have a validity period of 12 months for the purpose of making imports and a period of 18 months for fulfillment of Export Obligation (EO) from the date of issue. In addition to inputs, certain items like fuel, oil, catalysts, etc., which are consumed in the course of their use to obtain the export product are also allowed under the scheme.

AA are issued both for physical exports as well as deemed exports. These are also issued on the basis of annual requirements of the exporter, which enables planning manufacturing / export programme on a longer term basis. The Advance Authorisations are issued on pre-export or post export basis in accordance with the FTP and procedures in force on the date of issue of Authorisation. AA is issued either to a manufacturer exporter or merchant exporter tied to a supporting manufacturer(s). They can also be issued to sub-contractors in respect of supplies of goods to specified projects provided the name of such subcontractor appears in the main contract. A minimum of 15% value addition is required. The value addition for gems and jewellery and for specified goods is specified as perAppendix-11B and para 4A2.1 of HBP Vol.1. In case of Authorisation for Tea, the minimum value addition is 50% as per para 4.1.6 of FTP (RE-2010). Higher value additions are prescribed for exports for which payments are not received in freely convertible currency. The Advance Authorisations and/or materials, imported there under are not transferable even after completion of export obligation.

The Scheme is implemented through Notification No. 96/2009-Cus and No. 99/2009-Cus, both dated 11.9.2009 with certain variations in the conditions. AA for Deemed Exports is implemented by Notification No. 112/2009-Cus dated 29.09.2009**.**

2.2 Duty Free Import Authorization (DFIA) Scheme:

The Duty Free Import Authorisation (DFIA) Scheme introduced in 2006 is similar to Advance Authorisation Scheme in many aspects. DFIA has a minimum value addition requirement of 20%. Once export obligation is completed, transferability of authorisation/material imported against the authorisation is permitted. However, once the transferability has been endorsed, the inputs can be imported/domestically source only on payment of Additional Customs duty/Central Excise duty. The DFIA Authorizations are issued only for products for which SION have been notified. There is a requirement that in case the facility of rebate under Rules 18 or 19(2) of the Central Excise Rules, 2002 or CENVAT facility under the Cenvat Rules, 2004 has been availed, then the duty free imported goods have to be used in the manufacture of the dutiable goods.

After the annual supplement 2013 to the FTP, the exemption from anti-dumping duty and safeguard duty is not available in case materials are imported against a DFIA made transferable. In case imported materials are transferred the importer is to pay an amount equal to the anti-dumping and safeguard duty leviable on the material, with interest. These aspects apply subject to specified conditions. The DFIA is implemented by Notification No.98/2009-Cus dated 11-09-2009.

[Refer Circulars No.11/2009-Cus., dated 25-2-2009 and No.6/2011-Cus dated 18-1-2011]

3. EPCG Scheme

3.1 Zero duty EPCG scheme

This Scheme is applicable to all sectors and implemented by Notification No.22/2013 - Customs dated 18.4.2013 with optional exemption from the additional duty of customs. The EO is equivalent to 6 times of the duty saved amount on the capital goods imported with EO period 6 years (extendable by 2 years) from the date of issue of Authorization. There are more favorable dispensations permitted for EO fulfilled by export of specified green technology products, units located in North Eastern States, Sikkim and Jammu and Kashmir. EO of 50% each is to be fulfilled in two blocks, of 4 years and then 2 years. In the case of manufacturer/merchant/service exporters, the EO is required to be fulfilled by exporting goods manufactured or capable of being manufactured or services rendered by the use of capital goods imported under the scheme. The import of capital goods has to be made within 18 months and it would be subject to actual user condition till the fulfillment of EO. Export obligation is to be over and above the average level of exports achieved in the preceding three licensing years for the same and similar products. The Authorization may also be obtained for annual requirement with a specific duty saved amount and corresponding EO with indication of the export products through which EO shall be fulfilled.

3.2 Post Export EPCG Duty Credit Scrip Scheme on or after 18.4.2013:

A single Post Export EPCG Duty Credit Scrip Scheme has been notified vide Notification No. 23/2013- Cus and 2/2013-Central Excise both dated 18.02.2013 to enable the use of Zero duty post EPCG Duty Credit Scheme Scrip subject to conditions specified in the notifications. The Circular No.10/2013-Cus dated 6.3.2013 continues to be relevant in this regard.

4. OTHER SCHEMES

4.1 Duty Drawback of Customs/Central Excise Duties/Service Tax:

Under this scheme products made out of duty paid inputs are first exported and thereafter refund of duty is claimed in two ways:

i) All Industry Rates : As per Schedule

ii) Brand Rate : As per application on the basis of data/documents

4.2 Rebate of duty on "export goods" and "material" used in manufacture of such goods:

Rebate of duty paid on excisable goods exported or duty paid on the material used in manufacture of such export goods may be claimed under Rule of 18 of Central Excise Rules, 2002.

4.3 Export of goods under Bond i.e. without payment of excise duty:

Rule 19 of Central Excise Rules 2002 provides clearance of excisable goods for exports without payment of central excise duty from the approved factory, warehouse and other premises.

4.4 Interest Subvention Scheme:

3% interest subvention scheme is available to certain specific sectors like Handicrafts, Handlooms, Carpets, Readymade Garments, Processed Agricultural Products, Sports Goods, Toys, 134 sub-sectors of Engineering Sector and other Made-up Textile Articles, Sets, Rags covered under Chapter 63 of ITC (HS) till 31st March, 2014 & MSME.

4.5 Duty Free Import Scheme:

Under this Scheme commercial samples and specified trimmings, embellishments, etc. are allowed duty free for products like handloom, handicrafts, Leather & Footwear, Gem & Jewellery, Sports Goods and Toys, etc. The rate is 3% for Leather & Footwear and Sports & Toy. For Handlooms and Handicrafts the rate is 5% of FOB value of preceding year exports.

Top 25 Export Destinations

1. USA
2. UAE
3. CHINA
4. HONG KONG
5. SINGAPORE
6. SAUDI ARABIA
7. UNITED KINGDOM
8. NETHERLANDS
9. GERMANY
10. JAPAN
11. BELGIUM
12. BANGLADESH
13. BRAZIL
14. VIETNAM
15. ITALY
16. FRANCE
17. SOUTH AFRICA
18. IRAN
19. INDONESIA
20. SRI LANKA
21. TURKEY
22. SOUTH KOREA
23. MALAYSIA
24. KENYA
25. ISRAEL

Banking Regulation Governing Exports

In the export trade, transaction in foreign exchange is involved. It is governed by Foreign Exchange Management Act, 1999 under which Foreign Exchange Management (Export of goods and services) Regulations, 2000 were framed. These Regulations have been notified vide Notification No. FEMA 23/2000-RB dated May 3, 2000 as amended from time to time.

Reserve Bank of India issues Master Circular on Exports of Goods and Services every year on 1st July which consolidates the existing instructions on the subject of "Export of Goods and Services from India" at one place.

Important clauses related to exports are as follows:

1. Declaration as regards export of goods and services:

Declaration of export of goods in the prescribed form {EDF (For non EDI ports)/ SDF (For EDI PORTS)} is required to be made to the bank. However, declaration in case of trade samples of goods and publicity material, goods or software accompanied by a declaration that they are not more than twenty five thousand rupees in value; goods imported free of cost on re-export basis; goods not exceeding USD 1000 or its equivalent in value per transaction exported to Myanmar under the Barter Trade Agreement; replacement goods exported free of charge in accordance with the provision of Exim Policy are exempted from aforesaid declaration.

2. Denomination of Export Contracts:

There is no restriction on invoicing of export contracts in Indian Rupees .In terms of Para 2.40 of the Foreign Trade Policy (August 27, 2009 - March 31, 2014), "All export contracts and invoices shall be denominated either in freely convertible currency or in Indian Rupees but export proceeds shall be realised in freely convertible currency. However, export proceeds against specific exports may also be realised in rupees provided it is through a freely convertible Vostro account of a non-resident bank situated in any country, other than a member country of the ACU or Nepal or Bhutan".

3. Submission of Export Documents to Bank:

Within 21 days from the date of export, exporter should lodge the copy of EDF/SDF together with relative shipping documents and an extra copy of the invoice with the banks. In cases where exporters present documents pertaining to exports after the prescribed period of 21 days from date of export, banks may handle them without prior approval of the Reserve Bank, provided they are satisfied with the reasons for the delay.

4. Realisation and Repatriation of Export Proceeds:

Earlier RBI circular dated November 20, 2012 extending the enhanced period for realization and repatriation to India, of the amount representing the full value of exports, from six months to twelve months from the date of export. This relaxation was available up to March 31, 2013. Subsequently Circular No. 105 dated May 20, 2013, brought down this period to to nine months from the date of export, valid till September 30, 2013, while Circular No. 35 dated April 01, 2002, Circular No. 25 dated November 01, 2004 and A.P. (DIR Series) Circular No.108 dated June 11, 2013, the Units located in SEZs, Status Holder Exporters, EOUs,Units in EHTPs, STPs & BTPs were allowed to realize/repatriate to India within a period of twelve months from the date of export.

However this has been reviewed and since November 20, 2014 it has been decided, that the period of realization and repatriation of export proceeds shall be nine months from the date of export for all exporters including Units in SEZs, Status Holder Exporters, EOUs, Units in EHTPs, STPs & BTPs while for warehouses the stipulation of 15 months will continue as earlier.

5. Exchange Earners' Foreign Currency (EEFC) Account:

Exporters can open Exchange Earners' Foreign Currency (EEFC) Account with a bank in India. The facility of EEFC account is intended to help exchange earners to save on conversion/ transaction cost while undertaking forex transactions. Exporters are allowed to credit 100% of their foreign exchange earnings to their EEFC Account. This is non-interest bearing current account and sum total of the accruals in a calendar month are converted into Rupees on or last day of the succeeding calendar month.

6. Advance Payment against Exports:

Where an exporter receives advance payment (with or without interest), from a buyer outside India, the exporter shall be under an obligation to ensure that the shipment of goods is made within one year from the date of receipt of advance payment; the rate of interest, if any, payable on the advance payment does not exceed London Inter-Bank Offered Rate (LIBOR) + 100 basis points; and the documents covering the shipment are routed through the bank through whom the advance payment is received.

7. EDF/ SDF Approval for Trade Fair/ Exhibitions abroad:

Firms / Companies and other organizations participating in Trade Fair/Exhibition abroad can take/export goods for exhibition and sale outside India without the prior approval of the Reserve Bank. Unsold exhibit items may be sold outside the exhibition/trade fair in the same country or in a third country. Such sales at discounted value are also permissible. It would also be permissible to `gift' unsold goods up to the value of USD 5000 per exporter, per exhibition/trade fair. Banks may approve EDF/SDF Form of export items for display or display-cum-sale in trade fairs/exhibitions outside India subject to the condition that (i) The exporter shall produce relative Bill of Entry within one month of re-import into India of the unsold items and (ii) The sale proceeds of the items sold are repatriated to India in accordance with the Foreign Exchange Management (Realisation, Repatriation, and Surrender of Foreign Exchange) Regulations, 2000.

8. Direct Dispatch of documents by the exporter:

Banks should normally dispatch shipping documents to their overseas branches/correspondents expeditiously. However, they may dispatch shipping documents direct to the consignees or their agents resident in the country of final destination of goods in cases of Advance Payment or Irrevocable Letter of Credit or in certain cases as detailed in the Master Circular. Status Holder Exporters and SEZ units may be permitted by the bank to dispatch the export documents to the consignee subject to certain conditions

9. Short Shipments:

When part of a shipment covered by a GR form already filed with Customs is short-shipped, the exporter must give notice of short-shipment to the Customs in the form and manner prescribed. In case of delay in obtaining certified short-shipment notice from the Customs, the exporter should give an undertaking to the banks to the effect that he has filed the short-shipment notice with the Customs and that he will furnish it as soon as it is obtained.

10. Shut out Shipments:

Where a shipment has been entirely shut out and there is delay in making arrangements to re-ship, the exporter will give notice in duplicate to the Customs in the form and manner prescribed, attaching thereto the unused duplicate copy of GR form and the shipping bill. The Customs will verify that the shipment was actually shut out, certify the copy of the notice as correct and forward it to the Reserve Bank together with unused duplicate copy of the GR form. In this case, the original GR form received earlier from Customs will be cancelled. If the shipment is made subsequently, a fresh set of GR form should be completed.

11. Write off of Export bills:

An exporter who has not been able to realize the outstanding export dues despite best efforts may either self-write off or approach the banks, who had handled the relevant shipping documents, with appropriate supporting documentary evidence with a request for write off of the unrealized portion subject to the fulfillment of stipulations and conditions. The limits prescribed for "write-offs" of unrealized export bills are as under:

12. Self "write-off" by an exporter (Other than Status Holder Exporter) : 5%*
Self "write-off" by Status Holder Exporters : 10%*
'Write-Off" by Authorized Dealer Bank : 10%*

*of the total export proceeds realized during the previous calendar year.

13. Write off in cases of Payment of claims by ECGC and private insurance companies regulated by Insurance Regulatory and Development Authority:

Banks shall, on an application received from the exporter supported by documentary evidence from the ECGC and private insurance companies regulated by IRDA confirming that the claim in respect of the outstanding bills has been settled by them, write off the relative export bills and delete them from the XOS statement. Such write-off will not be restricted to the limit of 10 per cent indicated above. Surrender of incentives, if any, in such cases will be as provided in the Foreign Trade Policy. The claims settled in rupees by ECGC and private insurance companies regulated by IRDA should not be construed as export realization in foreign exchange.

14. Write-off – Relaxation:

As announced in the Foreign Trade Policy (FTP), 2009-14, with effect from August 27, 2009, realisation of export proceeds shall not be insisted upon under any of the Export Promotion Schemes under the said FTP, subject to the following conditions:

(a) The write off on the basis of merits is allowed by the Reserve Bank or by bank on behalf of the Reserve Bank, as per extant guidelines;

(b) The exporter produces a certificate from the Foreign Mission of India concerned, about the fact of non-recovery of export proceeds from the buyer; and

(c) This would not be applicable in self write off cases.

(d) The banks are advised not to insist on the surrender of proportionate export incentives, other than under the Duty Drawback Scheme, if availed of, by the exporter under any of the Export Promotion Schemes under FTP 2009-14, subject to fulfilment of conditions as stated above. The drawback amount has to be recovered even if the claim is settled by the Export Credit Guarantee Corporation of India Limited (ECGC) or the write –off is allowed by the Reserve Bank.

15. Change of buyer/consignee:

Prior approval of the Reserve Bank is not required if, after goods have been shipped, they are to be transferred to a buyer other than the original buyer in the event of default by the latter, provided the reduction in value, if any, involved does not exceed 25 per cent of the invoice value and the realization of export proceeds is not delayed beyond the period of 12 months from the date of export.

16. Reduction in Invoice Value :

If, after a bill has been negotiated or sent for collection, its amount is to be reduced for any reason, banks may approve such reduction, if satisfied about genuineness of the request, provided the reduction does not exceed 25 per cent of invoice value; It does not relate to export of commodities subject to floor price stipulations; the exporter is not on the exporters' caution list of the Reserve Bank, and the exporter is advised to surrender proportionate export incentives availed of, if any.