Export Documentation

Content:

HISTORY

International trade developed, over the centuries, in an unstructured and adhoc manner as countries exchanged goods and products they excelled in for those, which they lacked.

Export-Import Procedures, Documentation and Logistics

Documents accompanying these transactions also followed a similarly haphazard path. Numerous documents were required in a variety of formats for each export shipment. An order number might appear on the right or the left side of a form; addresses could be shown as lines or blocks. The situation has started to improve in the mid-1960s with the document alignment work initiated by Sweden, standards developed by the Trade Facilitation Working Party and the 1965 publication of the United Kingdom Board of Trade's Simpler Export Documents.

ALIGNED DOCUMENTATION SYSTEM (ADS)

The standardisation of the pre-shipment export documents is done on the basis of the system, popularly known as Aligned Documentation System (ADS).

Objective

The primary objective has been to ensure benefits to everyone in the international trade chain from easier documentation. To enter information on an easy basis and access the information with greater convenience, Aligned Documentation System (ADS) is adopted. Documents related to exports are printed on uniform length and standard A-4 size of paper. Initially, information is entered in Master Document 1 and Master Document 2. From these documents, Common information, required to be incorporated in all the relative documents, is entered in the slots at the same locations. An exporter can develop 14 out of 16 Commercial Documents with the help of Master Document 1. Shipping order and Bill of Exchange are the only two Commercial Documents that can not be developed as these have not been standardised. In a similar manner, with the help of Master Document 2, three of the Regulatory Documents-GR form, Shipping Bill/ Bill of Export and Port trust copy of Shipping Bill can be developed. Main advantage of this system is to enter the data quickly and read them with greater ease and speed. Document alignment is a major trade facilitation activity. Aligned Documentation System is based on the U.N. layout key. Deriving national document subsets from the UN Layout Key rules simplifies trade documentation on an international scale, bringing considerable benefits to traders.

Advantages of Aligned Documentation System

1. Dispenses Conventional Documentation preparation:

Once information is entered into Master Documents, it becomes possible to prepare many Commercial and Regulatory Documents with the help of masking reproduction technique. The documents are aligned to one another. All documents are printed in the same size of paper. Common items of information are given the same relative slots in each of the documents included in the system. The common items of information occupy the same relative position on each form. For example, shipper top left, references top right, signatory details bottom right and so on.

2. Easier to Complete and Access:

This makes forms both easier to complete and easier to process. Since common positions are used for data items, it is possible to use a 'Master Document.' This master document can

be used to produce a range of documents using a photocopier and overlays (to provide the form outlines and hide unwanted data).

3. Benefit to All Parties:
All parties in the international trade chain benefit from easier document processing. Using documents that comply with UN alignment standards speed up form preparation, cut costs and reduce errors. Exporters may actually get paid quicker than otherwise!

4. Better Image:
Aligned documents simplify document checking and training new staff. They even enhance an organization's professional image.

Paper Size and Specifications
Paper: A4
Size: Length 297 mm
Width 210 mm
Margins: Top 10 mm
Left 20 mm
Right 6 mm
Bottom 7 mm

Situation Today
By the mid-1980s, the use of aligned documents has been widespread in a number of countries. Its true potential has begun to materialize as master/photocopier systems started yeilding to computerized export documentation systems. Success stories include banking and transport (apart from rail). For the purpose of Documents Aligned System, documents have been classified into two categories as under:
1. Commercial Documents
2. Regulatory Documents

Other two categories being
3. Export assistance documentation
4. Documentation required by importing countries

COMMERCIAL DOCUMENTS
Objectives
The objectives of Commercial documents are:
1. To effect physical transfer of goods from the exporter's place to the importer's place.
2. To transfer property and title of goods from the exporter to the importer and
3. Realization of export proceeds from the exporter to the importer.

Out of the 16 commercial documents in the Export Documentation Framework, as many as 14 documents have been standardized and aligned one to another. Commercial documents may be classified as Principal Export Documents and Auxiliary Documents.

Principal Export Documents: These are the eight documents, which are required to be sent by the exporter to the importer. These are known as Principal Export Documents. They are: (*i*) Commercial invoice

(*ii*) Packing list
(*iii*) Certification of inspection/quality control (where required)
(*iv*) Bill of lading/Combined Transportation Documentation
(*v*) Shipping Advice
(*vi*) Certificate of origin
(*vii*) Insurance Certificate/Policy (In case of CIF export sales contract)
(*viii*) Bill of Exchange.

Auxiliary Export Documents: The remaining eight documents, other than principal export documents, are known as auxiliary export documents. They are:
(*i*) Proforma invoice
(*ii*) Intimation for Inspection
(*iii*) Shipping Instructions
(*iv*) Insurance Declaration
(*v*) Shipping Orders
(*vi*) Mate's Receipt
(vii) Application for Certificate of Origin and
(*viii*) Letter to the Bank for Collection/Negotiation of Documents.

REGULATORY DOCUMENTS

Regulatory pre-shipment export documents are those which have been prescribed by different government departments and bodies in the context of export trade. These documents are meant to comply with the various rules and regulations under relevant laws governing export trade such as export inspection, foreign exchange regulations, export trade control and customs etc. There are 9 regulatory documents associated with the pre-shipment stage of an export transaction. Out of them, only 4 have been standardized. The regulatory documents are as follows:
(1) *Gate Pass-I/Gate Pass II*: The Central Excise Authorities prescribe them.
(2) *ARE-1*: These are Central Excise forms. Earlier, AR4 and AR5 Forms have been used. In their place, ARE 1 form , now, is used.
(3) *Shipping Bill/Bill of Export*: They are standardized and prescribed by the Central Excise Authorities.
• For export of goods.
• For export of duty free goods.
• For export of dutiable goods.
• For export of goods under claim for duty drawback.
(4) *Export Application/Dock Challan*: Standardized and prescribed by the Port Trust Authorities.
(5) *Receipt for Payment of Port Charges*: Standardized.
(6) Vehicle Ticket.
(7) *Exchange Control Declaration Forms*: GR/PP forms are standardized and prescribed by RBI.
(8) Freight Payment Certificate.
(9) Insurance Premium Payment Certificate.

Classification of Commercial and Regulatory Documents

The different commercial and regulatory documents may be classified into documents related to goods, documents related to shipment, documents related to payment, documents

related to inspection, documents related to excisable goods and documents related to foreign exchange regulations.

DOCUMENTS RELATED TO GOODS

(i) Proforma Invoice

Proforma invoice is the starting point of an export contract. As and when the exporter receives the trade inquiry from the importer, exporter submits the Proforma invoice to the importer. The Proforma invoice contains details such as name and address of the exporter, name and address of the intending importer, nature of goods, mode of transportation, unit price in terms of internationally accepted quotation, name of the country of origin of goods, name of the country of final destination, period required for executing contract after receipt of confirmed order and finally signature of the exporter. Importance and Significance of Proforma Invoice are Two Fold

(A) It forms basis of all trade transactions and further negotiation or contract is made on this basis.

(B) It helps the importer to obtain the import licence, where required, and obtain foreign exchange for completion of the contract.

(ii) Commercial Invoice

A commercial invoice is the seller's bill for merchandise or goods sold by him. Invoice contains all the particulars and details in respect of name and address of seller (exporter), name and address of buyer (importer), date, exporter's reference number, importer's reference number, description of goods, price per unit at particular location, quantity, total value, packing specifications, terms of sale (FOB, CIF etc), identification marks of the package, total number of packages, name and number of the vessel or flight, bill of lading number, place and country of destination, country of origin of goods, reference to letter of credit, if opened, terms of payment, and finally signature of the exporter etc. From the details, it is clear that invoice is an important and basic export document. It is also known as 'DOCUMENT OF CONTENTS' as it contains all the important information necessary for the preparation of other export documents.

For many countries, there are no prescribed special invoice forms. Exporters can use their normal invoices used for indigenous trade for exports made outside the country too and show the particulars required by the importer in terms of the contract. However, there are special invoicing procedures in respect of exports to certain countries like Canada, U.S.A. and Australia. Some countries like Uganda, Mexico, Sudan and Tanzania require special customs invoices. Information about the special invoice forms required can be gathered from the respective Export Promotion Councils apart from the procedures of trade to be followed in respect of the importer's country. Any recognized Chamber of Commerce too can provide the information in this respect.

Significance of Commercial Invoice

(A) It is prima facie evidence of the contract of sale and purchase of goods. On the basis of the invoice, all the other documents, in the context of export, are prepared as it is the basic document.

(B) Invoice constitutes the main document for various export formalities such as preshipment inspection, quality, excise and customs procedures.

(C) It is useful for accounting purposes, both by the exporter and importer.

(D) This document is required in collection/negotiation of documents through the bank.
(E) For claiming incentives, this document is essential.

(iii) Consular Invoice

Some of the importing countries insist that the invoice is to be signed by the importing county's consular located in the exporter's country. Such invoices are known as **consular invoice.** The exporter has to pay a certain fee to obtain the certificate/invoice. Such charges/ fees vary from country to country. The main purpose to obtain consular invoice is to secure authentication of information contained in the invoice. Once the invoice is signed by the consular of the country, the importer gets comfort and confidence in respect of accuracy of information in respect of quality, source of goods, volume and grade. Normally, on arrival of the goods, it is necessary to convince the customs authorities of the importing country that the goods stated in the invoice and the actually imported goods are one and the same. If the customs authorities get suspicious or not convinced, they open the packages of the imported goods. If this happens, considerable delay takes place.

The importer is put to hardship by delayed receipt of goods. To avoid all these problems, importer insists on the exporter to obtain the consular invoice from the consulate stationed in the exporter's country. The consulate invoice is, generally, prepared in three copies. One copy is retained by the consulate office, the second copy is sent to the customs of the importing country and the third copy is given to the exporter to forward the same along with other documents through the banker for collection/negotiation. This information also facilitates in assessing import duties and also would be useful for statistical purposes.

Significance of Consular Invoice can be Summarized

Importance to the Exporter

1. Once the invoice is signed by the consulate of the importing country, the exporter is reasonably assured that there are no import restrictions in the importer's country for the goods and that there would be no problem in realization of export proceeds or foreign exchange.
2. It enables prompt clearance from the customs of exporter's country for shipping the goods.

Importance to the Importer

1. In the importer's country, the customs do not normally open the packages. It helps the importer to get speedy delivery of goods.
2. Lot of unnecessary hardship which importer faces once the packages are opened is avoided.

Importance to the Customs

1. The customs of the exporting country can easily clear the goods.
2. The customs of the importing country need not open the packages for checking and can easily calculate the import duties.

(iv) Legalized Invoice

Certain Latin American countries like Mexico require this. It is just like consular invoice, which requires certification from consulate or authorized mission, stationed in the exporter's country.

(v) Customs Invoice When the commercial invoice is prepared on the format prescribed by the customs authorities of the importing country, it is called "Customs Invoice". This is the requirement of U.S.A., Canada and Australia.

(vi) Packing Note and Packing List

There is a difference between packing note and packing list. Packing note refers to the particulars of contents of an individual pack while packing list is a consolidated statement of the contents of the total number of cases or packs. A packing note contains the following details:

(*a*) Date of packing,
(*b*) Number of packing note,
(*c*) Number of case to which it relates to,
(*d*) Contents of case in terms of quantity and weight,
(*e*) Marking numbers,
(*f*) Name of exporter,
(*g*) Name of importer,
(*h*) Importer's order number,
(*i*) Number and date of bill of lading and
(*j*) Name of vessel/flight.

Packing note is kept in each concerned case/pack. Packing note and packing list are sent to the importer along with other documents. If any case contains any shortfall, importer can communicate to the exporter in which case there is shortage of goods for making good. No particular form has been prescribed for both packing note/list. Normally, ten copies are prepared. Two copies are sent, in advance, to the buyer, one copy along with the documents, one to the shipping agent and the remaining are retained by the exporter. Precaution is to be exercised that the details of the quantity in the packing note/list should conform to the quantity as stated in the Invoice and Bill of Lading/Airway Bill.

(vii) Certificate of Origin

As the very name indicates, certificate of origin is a certificate that specifies the name of the country where goods are produced. This is absolutely necessary where the importing country has banned the entry of goods of certain countries to ensure that the goods from those countries are not allowed to enter in. At the time of arrival of the goods in the importer's country, this certificate is necessary for the customs to permit preferential tariff. Certain countries offer preferential tariff to goods produced and imported from India. In such a case, this is a must to the importer to claim preferential tariff and importer insists on this document from the exporter. This enables the importer's country to regulate the concessional tariff only to select countries and deny to the rest of the countries. A certificate of origin can be obtained from Chamber of Commerce, Export Promotion Council and various trade associations which have been authorized by Government of India to issue. The agency from which certificate of origin is obtained should conform to the terms of letter of credit.

Significance of Certificate of Origin

(A) Certificate of origin is required for availing concession under CommonwealthPreferences (CWP) as well as Generalized System of Preferences (GSP).
(B) It facilitates the importer to adhere to the rules and regulations of his country.
(C) Customs in the importer's country allow the concessional tariff only on production of this certificate.

(D) When goods from some countries are banned, importing country requires this certificate to ensure that goods from banned countries are not entering into the country.
(E) Exporting country may insist on this certificate to ensure that the goods imported are not reshipped again.

DOCUMENTS RELATED TO SHIPMENT

(i) Shipping Bill

The shipping bill is the main document on the basis of which the customs permission is given. Under manual processing of export documents, the exporter is required to file the appropriate type of shipping bill to seek the order for customs clearance of the export shipment. Under computerized processing, the exporter does not prepare the shipping bill; instead it is computer generated. The customs order is called "LET EXPORT Order". After the shipping bill is stamped by the customs, then only the goods are allowed to be carted to the docks. The shipping bill contains the following particulars:
(A) Nature of goods exported,
(B) Name of vessel, master or agents,
(C) Flag,
(D) Country of destination, the port at which the goods are to be discharged,
(E) Exporter's address,
(F) Importer's address,
(G) Details of the packages, such as numbers and marks,
(H) Quantity details of each case, total number of cases and aggregate weight,
(I) F.O.B. prices and real value as defined in the Sea Customs Act and
(J) Whether the merchandise is Indian or foreign origin which is re-exported.

The shipping bill is prepared in five copies:
1. Customs copy
2. Drawback copy
3. Export Promotion copy
4. Port Trust copy and
5. Exporters copy

Importance of Shipping Bill
(A) It is an important document required by the customs authorities for clearance of goods. The customs authorities endorses the duplicate copy of the shipping bill with "Let Export Order" and "Let Ship Order".
(B) After the clearance of customs, exporter can load the goods on ship.
(C) Shipping bill endorsed by the customs authorities facilitates the exporter to claim incentives such as excise duty refund and duty drawback.

Types of Shipping Bills
(1) Free Shipping Bill: It is used in case of goods which neither attract any export duty nor entitled for duty drawback. It is printed on simple white paper.
(2) Dutiable Shipping Bill: It is used in case of goods, which attract export duty. It may or may not be entitled to duty drawback. It is printed on yellow paper.
(3) Drawback Shipping Bill: It is used in case when refund of duties is allowed on the goods exported. Generally, it is printed on green paper, but when the drawback claim is paid to a bank, then it is printed on yellow paper.

(4) Shipping bill for Shipment Ex-Bond: It is used in case of imported goods for reexport and which are kept in bond. It is printed on yellow paper.

(5) Coastal Shipping Bill: It is used in case of shipment that is moved from one port to another port, by sea, within India. It is not an export document. When goods are sent by sea, it is called Shipping Bill and it is Airway bill when goods are sent by Air.

(ii) Mate's Receipt

A mate's receipt is issued by the mate (assistant to the captain of the ship) after the cargo is loaded into the ship. It is an acknowledgment that the goods have been received on board the ship. Contents of Mate's Receipt Mate' receipt contains the details about

1. Name of the vessel,
2. Date of shipment,
3. Berth,
4. Marks,
5. Numbers,
6. Description and condition of goods at the time they are shipped, port of loading,
7. Name and address of the shipper,
8. Name and address of the importer(consignee) and
9. Other required details.

Types of Mate's Receipts

Mate's receipt can be clean or qualified.

(A) Clean Mate's Receipt: Mate of the ship issues a clean mate's receipt if the condition, quality of the goods and their packing are proper and free from defects.

(B) Qualified Mate's Receipt: If the mate's receipt contains any adverse remarks as to the quality or condition of the goods/packing, it is known as 'Qualified Mate's Receipt'. If the goods are not packed properly and the mate's receipt contains any adverse remarks about the packing such as "Poor Packing", the shipping company does not assume any responsibility in respect of the goods during transit. It is necessary for the exporter to secure the mate's receipt without any adverse remarks. On the basis of the mate's receipt, the Bill of Lading is prepared by the shipping agent. If there are adverse remarks in the mate's receipt, the same will be incorporated in the Bill of Lading, which may turn to become a claused Bill of Lading, and this may not be acceptable for negotiation. Mate's receipt is first handed to the Port Trust Authorities who hands over to the exporter soon after he clears their dues. This procedure is adopted to facilitate for collection of port dues from the exporter. Significance of Mate's Receipt

(1) Mate's receipt is an acknowledgment of goods. It is not a document of title.

(2) It is issued to enable the exporter or his agent to secure bill of lading from the shipping company.

(3) Bill of Lading, which is the title to the goods, is prepared on the basis of Mate's receipt so it should be obtained without any adverse remarks.

(4) Port Trust Authorities are enabled to collect their dues as it is routed through them.

(iii) Cart Ticket

A cart ticket is also known as cart chit. This is prepared by the exporter, which contains the details of the vehicle number, description of goods, quantity, name of the shipper, shipping bill number and port of destination. The driver of the vehicle carries the cart ticket. At the time of entry into Port, the cart ticket is verified by the Port Authorities to satisfy that the vehicle is carrying only those goods, which are mentioned in the cart ticket. After being

satisfied, the gatekeeper/warden/inspector issues the gate pass to the driver and allows entry of the vehicle into the premises of the port.

(iv) Certificate of Measurement

Freight is charged either on the basis of weight or measurement. When weight is the basis of measurement, the shipping company for the purpose of calculation of freight may accept the weight declared by the exporter. However, when measurement is the basis for calculation of freight, the shipping company may insist on a certificate issued by Chamber of Commerce or other approved organization in respect of goods. The certificate of measurement contains the details in respect of description of goods, quantity, length, breadth and depth of the packages, name of the vessel and port of destination of the cargo etc.,

(v) Bill of Lading

Bill of Lading is a document issued by the shipping company or his agent acknowledging the receipt of cargo on board. This is an undertaking to deliver the goods in the same order and condition as received to the consignee or his agent on receipt of freight, the shipping company is entitled to. It is a very important document to the exporter as it constitutes document of title to the goods. Each shipping company has its own bill of lading. The exporter prepares the bill of lading in the form obtained from the shipping company or agents of shipping company. The goods can be consigned to order of the exporter, which means the exporter can authorize someone else to receive the goods on his behalf. In such a case, the exporter would discharge the bill of lading on its reverse. When the bill of lading is negotiated through the bank, it would be endorsed in favour of the bank that would endorse further to the importer, on receipt of payment. Bill of Lading is made in signed set of 2 originals, any one of which can give title to the goods. The shipping company also issues non-negotiable copies (unsigned) which are not documents of title to goods but serves the purpose of record only. The reverse side of Bill of Lading contains the terms and conditions of the contract of carriage. The clauses on most of the bills of lading are common. A Bill of lading should be clean to facilitate the exporter to obtain the proceeds of export without difficulty.

Main Purposes

It serves three main purposes.

(A) As a document of title to the goods

(B) As a receipt from the shipping company and

(C) As a contract of affreightment (transportation) of goods.

Types of Bill of Lading

(1) Received for Shipment B/L: A shipping company issues it when goods have been given to the custody of the shipping company, but they have not been placed on board.

(2) On Board Shipped B/L: The shipping company certifies that the cargo has been received on board the ship.

(3) Clean B/L: It indicates a clean receipt. In other words, it implies that there has been no defect in the apparent order or condition of goods at the time of receipt or shipment of goods by the shipping company.

(4) Claused or Dirty B/L: It shows that the B/L is qualified which expressly declares a defective condition of goods. The clause may state “bale number 5 hook-damaged” or package number 10 broken”. By superimposing this type of clause, the shipping company is limiting its responsibility at the time of delivery of goods, at the destination. It is very important to note that bank accepts only a clean B/L at the time of negotiation.

(5)) Transshipment or Through B/L: When the journey covers several modes of transport from the place of starting to the place of destination, this type of B/L is taken. It indicates that transshipment would be en route. For example, part of the journey is by ship and the rest of journey may be by road, rail and air.

(6) Stale B/L: According to international commercial practice, B/L along with other documents must be presented to the bank not later than twenty one days of the date of shipment as given in the B/L. In some cases, the importer may indicate the number of days within which the documents are to be presented from the date of shipment. Exporter has to comply with the stipulation indicated. Otherwise, the B/L becomes stale and is not accepted by the bank for payment. A stale bill is one which is tendered to the presenting bank so late a date that it is impossible for the bank to dispatch to the consignee's place, in time, before the goods arrive at the destination port. In other words, bank finds it impossible to see the documents reach before the ship reaches the destination.

(7) To Order B/L: In this case, the B/L is issued to the order of a specified person.

(8) Charter Party B/L: It covers shipment on a chartered ship.

(9) Freight paid B/L: When the shipper pays the freight, then this type of B/L is issued with the words "Freight paid".

(10) Freight Collect B/L: When the freight on the B/L is not paid and to be collected at the point of destination, it is marked "Freight Collect" and this B/L is known as "Freight Collect B/L". Generally, the importer insists on the "clean on-board shipped" bill of lading with the prohibition of transshipment of goods as goods can suffer damage during transshipment. If transshipment is allowed, even period of journey may take longer.

B/L is a non-negotiable document: A bill of lading is not a negotiable document while it is a transferable document. Transferability enables the exporter to claim payment from the bank even before the goods reach the destination. Similarly, it enables the importer to sell the goods even before they reach the destination.

Parties mentioned in B/L: There are three main columns in B/L. These are shipper (consignor), consignee or order of and notifying party. Notifying party is party to whom notice is to be sent on the arrival of goods at the place of destination. When the B/L is made to the order of, the person, in whose name it is made to the order of, has the right to endorse further. To illustrate:

Consignor: Cherry & Co, Bhopal

Consignee or to the order of: Dimpy & Co, Newjersey, U.S.A.

Notifying Bank: Bank of America, Newjersey

In this case, Dimpy & co has the total right for the cargo as the consignee. So, Cherry & Co can not transfer title to the goods to the third party. If payment of the goods is not received, consignor loses title to the goods and so B/L is not to be made in this way. However, where advance payment has been received or goods are shipped under irrevocable letter of credit, bill of lading can be made in the name of the consignee. In the normal circumstances, exporter takes the bill of lading to his order and endorses to the bank at the time of negotiation and in this way his interests are fully protected. **Who can lodge claim:** B/L is the only evidence to file claim against the shipping company in the event of non-delivery, defective delivery or short delivery. If the importer makes payment, he can lodge the claim, as he will be in possession of negotiable copy of B/L. Otherwise, exporter can lodge the claim and receive the value of goods.

Contents of B/L

1. Name and address of the shipper.

2 Name and address of the vessel.

3. Name of port of loading.
4. Date of loading of goods.
5. Name of port of discharge and place of delivery.
6. Quantity, quality, marks and other description.
7. Number of packages.
8. Freight paid or payable.
9. Number of originals issued.
10. Name of the shipping company.
11 Voyage number and date.
12. Signature of the issuing authority.

SIGNIFICANCE OF BILL OF LADING

Importance to the Exporter

1. It is an acknowledgment from the shipping company that the goods have been received for the purpose of shipment.
2. After receipt of B/L, it helps him to send the shipping advice to the importer.
3. If any damage occurs to the cargo during transit, he can hold the shipping company responsible, if he has received clean bill of lading.
4. A copy of bill of lading is required to be attached to the application form to claim the incentives
5. It is a contract of carriage between the exporter (shipper) and the shipping company.

Importance to the Importer

1. It is a document of title to the goods, which enables him to transfer the tittle by endorsement and delivery.
2. The exporter can send a non-negotiable copy of B/L as advance intimation of shipment to the importer.
3 It enables him to pay the freight amount as the B/L contains freight details.

Importance to the Shipping Company

1. It helps the shipping company to collect the freight amount from the exporter (CIF contract) or importer (FOB contract).
2. Shipping company can protect itself from the wrongful claims of exporter/importer by incorporating condition of goods/packaging, at the time of receipt. In case the shipping company, inadvertantly, omits to mention the advesrse conditon, at the time of receipt, advantage can be claimed by exporter/importer, by submitting wrongful claim.

(vi) Airway Bill

Airway Bill is also called Air consignment Note. It is a receipt issued by an airline for the carriage of goods. As each shipping company has its own Bill of Lading, so each airline has its own airway bill. Airway Bill or Air consignment note is not treated as a document of title to goods and is not issued in negotiable form. Delivery of the goods is made to the consignee without the production of airway bill.

Importance of Airway Bill

1. It is a contract of carriage of goods between the consignor and airlines or his agent.
2. It acts as a customs declaration form.
3. It contains details of freight and so works as a freight bill.

(vii) Bill of Entry

Bill of Entry is a declaration form made by the importer or his clearing agent in the prescribed form under Bill of Entry Regulations, 1971 on the strength of which clearance of imported goods can be made.

When goods are imported into a country, customs duty has to be paid by the importer. For this purpose, importer prepares the Bill of Entry declaring the value of goods, quantity and description. This is prepared in triplicate. Customs authorities may ask the importer to produce the invoice of the exporter, broker's note and insurance policy to satisfy about the correctness of value of goods declared.

For the purpose of giving information, goods are classified into three categories.

(1) **Free Goods:** These goods are not subjected to any customs duty.

(2) **Goods for Home Consumption:** These goods are imported for self-consumption.

(3) **Bonded Goods:** Where goods are subject to customs duty, till duty is paid, goods are kept in Bond.

Contents of Bill of Entry

1. Name and address of importer.
2. Name and address of exporter.
3. Import licence number.
4. Name of port where goods are to be cleared.
5. Desription of goods.
6. Value of goods.
7. Rate and value of import duty payable.

DOCUMENTS RELATED TO PAYMENT

(i) Letter of Credit

A letter of credit is a document-containing guarantee of a bank to make payment to the exporter, under certain conditions and up to a certain amount, provided the conditions contained in the letter of credit are complied with. For a detailed presentation, reader may refer to the chapter on Export Financing.

(ii) Bill of Exchange

The Negotiable Instruments Act, 1881 defines a Bill of Exchange as " an instrument in writing containing an unconditional undertaking, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument".

There are five important parties to a Bill of Exchange:

The Drawer: The drawer is the person who has issued the bill. In an export transaction, exporter draws the bill as money is owed to him.

The Drawee: The drawee is the person on whom the bill is drawn. Exporter draws the bill on the importer who is the drawee. Drawee is the debtor who owes money to the exporter (creditor).

The Payee: The payee is the person to whom the money is payable. The bill can be drawn by the exporter payable to the drawer (himself) or his banker.

The Endorser: The endorser is the person who has placed his signature on the back of the bill signifying that he has obtained the title for the bill on his own account or on account of the original payee.

The Endorsee: The endorsee is the person to whom the bill is endorsed. The endorsee can obtain the payment from the drawer.

Types of Bills of Exchange

(a) Sight Bill of Exchange: In this Bill of Exchange, also known as demand Bill of Exchange, the drawee has to make the payment, on presentation.

(b) Usance Bill of Exchange: In case of Usance or Time Bill of Exchange, payment is to be made on the maturity date, after a certain period, known as tenor. When the calculation of period is made with reference to the sight of bill, the bill is known as 'after sight usance bill'.

Sometimes, the maturity date is calculated with reference to the date of bill of exchange, it is known as 'after date usance bill'.

(c) Clean Bill of Exchange: A clean Bill of Exchange is one when the relative shipping documents do not accompany with it. In this case, the relative shipping documents i.e. Bill of Lading is sent directly to the importer to enable him to take delivery of the cargo.

(d) Documentary Bill of Exchange: A documentary Bill of Exchange is one where the relative shipping documents such as Bill of Lading, marine insurance policy, invoice and other documents are sent along with the Bill of Exchange. This is the common form in export trade.

The documents are given to the bank either for collection or negotiation. In case the importer gets the documents on acceptance, it is called Documents against Acceptance. If the importer gets the documents only on payment, it is called Documents against Payment. After shipment of goods, the exporter draws the bill on the importer or, more frequently, on bank acting for the importer, as agreed between the exporter and importer. The exporter usually draws the bill to his own order or that of his bank. Later, he endorses the bill in favour of his bank. Exporter may request his bank to collect or purchase the bill. In case of purchase of bill, exporter receives the export proceeds immediately. In any case, the exporter's bank sends the documents to its branch or correspondent's bank in importer's place. The bank at that end sends the intimation of receipt of documents to the importer either for acceptance or payment, dependant on the nature of bill drawn. In case of Documents against acceptance, importer accepts the bill and then only gets title to goods. In case of Documents against payment, importer has to make the payment for securing delivery of documents.

(iii) Trust Receipt: In case of D/P bill, the importer has to make the payment to take delivery of goods. If the importer is unable to make the payment, on arrival of the shipment, and take possession of goods, he executes a Trust Receipt to take delivery of goods. Importer will have the right to sell the goods and would be acting as agent of the bank. Importer will be depositing the sale proceeds with the bank, as and when sales are made. Till the importer makes the final settlement, bank retains ownership for the merchandise and the role of the importer is not that of owner but that of agent to the bank. This arrangement facilitates the importer to take delivery of goods when sufficient funds are not available with him. This facility provides the flexibility to the importer while the interests of bank are protected, at all times.

(iv) Bank Certificate of Payment: It is a certificate issued by the negotiating bank to the exporter that the bill covering the shipment has been negotiated through it and export proceeds have been received from the importer. The certificate indicates the details of the merchandise exported. Exporter submits this certificate of payment for establishing that the export transaction has been completed totally by him. This certificate is required to comply with the requirements for the discharge of export obligation.

DOCUMENTS RELATING TO INSPECTION

Certificate of Inspection

It is a certificate issued by the Export Inspection Agency certifying that the consignment has been inspected under the Export (Quality Control and Inspection) Act, 1963 and found that the requirements relating to quality control and inspection have been complied with, as applicable, and the goods are export worthy.

DOCUMENTS RELATED TO EXCISABLE GOODS

(1) GP Forms

GP stands for Gate Pass. A GP form, gate pass, is issued for the removal of excisable goods from the factory or warehouse. Form GP1 is issued for the removal of excisable goods on payment of duty. GP2 is issued for the removal of excisable goods without payment of duty.

(2) Form C

It is not to be confused with C form. Form C is used for applying for rebate of duty on excisable goods (other than vegetable, non-essential oils and tea) exported by sea. It is to be submitted, in triplicate, to the Collector of Central Excise.

(3) Forms AR4/AR4A

These forms are meant for removal of excisable goods for export by sea/post. Now, in their place, ARE-1 form is used.

DOCUMENTS RELATED TO FOREIGN EXCHANGE REGULATIONS-LEGAL REGULATED DOCUMENTS

Foreign Exchange Regulations require that all exports other than exports to Nepal and Bhutan shall be declared on the following forms:

1. GR Form

GR is an exchange control document required by Reserve Bank of India. It is required to be filled, in duplicate, for all exports in physical form other than by post. An exporter has to realize the export proceeds within a period of 180 days from the date of shipment, in India. To ensure control on realization, RBI has introduced this procedure. GR form, in duplicate, is to be submitted by the exporter to the customs along with the Shipping Bill. Customs will give their running serial number on both the copies. After admitting the customs shipping bill, customs will certify the value of goods declared by the exporter in the space earmarked and also record their assessment of value. Customs retains the original copy and return the duplicate to the exporter. Customs sends the original GR form to RBI, which will be an indication of the goods, which are to be exported. Exporter has to submit the duplicate of GR form to the authorized dealer, named in GR form, along with other shipping documents within a period of 21 days of shipment for the purpose of negotiation. After the negotiation of bill, the authorized dealer will report the transaction of negotiation to RBI. On receipt of the original, RBI is apprised of the developments in respect of the export transaction.

Once the export proceeds are received from the importer, the authorized dealer has to forward the duplicate copy of GR form together with the copy of invoice to RBI. RBI recognizes that the export transaction has been concluded and export proceeds have been fully realized. At certain customs offices, shipping bills are processed electronically. So, at those offices, GR form has been replaced by SDF (Statutory Declaration Form).

2. PP Form

It is required to be filled in for all export transactions, in duplicate, for all countries to be made by post parcel, except when made on “value payable” or “cash on delivery basis”.

3. VP/COD Form

It is required to be filled for all export transactions to all countries by post where the export proceeds are realized on “value payable” or “cash on delivery basis”.

3. SOFTEX Form

It is required to be prepared, in triplicate, for export of computer software in nonphysical form. All the above documents serve the purpose of monitoring the realization of export proceeds in the stipulated manner.