
CUSTOMS DOCUMENTATION FOR EXIM TRADE

Dr. C. MUTHUVELATUTHAM
Associate Professor

Mr. KARUPPASAMY. R
Research Scholar
Department of Management Studies
Anna University Regional Centre
Coimbatore- 641 047

ABSTRACT

Foreign trade has been major aspect for economic wealth of nations. Every nations have taking various plans & policies and amending this at periodically to improve trade activities. There is some major problems or risks to export and import cargo. In India, the shipper and buyer are also facing few significant problems; the major problem is efficient work of customs documentation and clearance. The government policies and duty plans are changing periodically. So, very important thing is knowledge on documentation and efficient documentation work. The clearing agents and authorized license holder do perfect documentation. The clearing agent takes responsibility about documentation and clearance work on behalf of shipper and buyer. This paper reviews the significant process of customs documentation and clearance for export and import and the enhancement of its traditional legal functions. It emphasizes the vital role of customs house agents (CHA) who makes efficient and speedy documentation. The paper highlights the technological innovations in have resulted in new forms of documentation by recent years. The paper could miss document's nature and analysis, the implications of different types of bills which is an instrument in commercial trade. But these will be more scope to future study. This paper is of general review type. Till now there is no lot of study about this topic which is stimulation of this study. But some relevant literatures and secondary information are referred in this study.

KEY WORDS: Export Documentation, Import Documentation, CHA.

INTRODUCTION

The Indian Ports has handled 849.9 million tones traffic during 2009-10. All major and Non-major Port's growth rate in cargo handling during 2009-10 was 5.8% and 35.4% respectively. It is higher than when compared to 2.2% and 3.3% achievement in 2008-09 (Ministry of Shipping, India).

Trade between nations is vital to economic growth. It results either in inflow and outflow of goods and services. Every country has its own customs duties and regulations. Exporters and importers have to fulfill all such customs formalities. Such formalities are absent in home trade where we have usually greater freedom in the movement of goods and in the settlement of dues. Each country has its own legal system and very often the legal system operated by different legal systems makes the task of the businessman more difficult. Various formalities are to be completed to export and import goods. An exporter and importer have to observe many formalities and submit a number of documents. An exporter and importer should be familiar with these formalities.

LITERATURE REVIEW

Managing International Physical Distribution Activities, International distribution management is complex. Success requires the correct answers to a number of difficult issues in order to develop the optimal distribution system for each target market (James R. Stock, Douglas M. Lambert, 1983). Three channels are discussed: the international transaction and payment channel; the international distribution channel (through which the goods physically move); and the documentation/communications channel. Third parties or middlemen frequently appear in channels to facilitate their operations (Donald F. Wood, 1990). Management of the Export Shipment, Export distributors, customs house brokers and foreign freight forwarders are amongst the major organisations involved in exporting activity. Documentation remains of paramount importance. Operating in an unfamiliar financial environment, it is essential to take account of exchange rates, tax, levels of inflation and other financial aspects affecting physical distribution; all will impact on profit levels and, if mismanaged or overlooked, will generate losses (James R. Stock, Douglas M. Lambert, 1983). A bill of lading holds as a document of title, including the proprietary effects a transfer of goods in transit can have and the bill's use as a means of security as well as its limitations in modern international commerce. (Torsten Schmitz, 2011).

Even in a relatively routine international transaction fifteen or more separate parties can be involved. Information has to be supplied at the right time for up to fifty commercial and official procedures. This information is normally exchanged using paper documentation (Gary Davies, Charles Freebury, 1987). It was found that the unwieldy customs procedures and inspections, lack of coordination, and arbitrary rulings are some barriers to freer cross-border trade within ASEAN (Sumeet Gupta, Mark Goh, Robert Desouza, Miti Garg, 2011). Customs brokers pointing out ways in which the current regulatory framework can be violated (Nikos Passas, Kimberly Jones, 2007).

If EDI is to succeed to a similar degree as paper-based systems then international harmonization and standardization must be achieved across all functional groups (banking, transport, insurance, and customs) and industry sectors on message standard and structures

(Robert M. Mulligan, 1999). The computers have been using the international distribution of manufactures, concentrating on their application in order processing and documentation (G.J. Davies, 1981). EDI helps to consequent improvement in scheduling and reduction of paperwork (Sue Garstone, 1995).

In an earlier article Gray and Davies used the expression “international logistics” to mean a system in which documentation flows are as much a part of the main logistical flow as flows of product (G.J. Davies, 1987). One of the most obvious objectives in the development of orderliness and economics in international logistics and trade would, of course, be the standardization of regulations, documentation, packaging, containers and transport vehicles (E. Ralph Sims, Jr, 1973).

CUSTOMS CLEARANCE IN INDIA

In India, Custom Clearance is a multifaceted and time captivating procedure that every export looks in his export business. Corporeal control is still the source of custom clearance in India where each shipment is physically examined in order to levy various types of export duties. High import tariffs and array of exemptions and export promotion schemes also underwrite in obscuring the documentation and procedures. So, a correct knowledge of the custom rules and regulation becomes imperative for the exporter. For clearance of export and import cargo, the shipper or buyer has to commence some formalities to file the shipping bill for clearance of export cargo. But it is very multifaceted and also customs clearance process is knowledgeable and difficult work. So, extensively the CHA (Customs House Agent) have been use as a middleman by Shipper and Buyer. The Shippers and Buyers themselves may have neither time nor the necessary knowledge on their own. Therefore, agents are permitted to act on their behalf. In overseas trade, there are countless intermediaries between the primary producer or seller and the definitive consumer or buyer. All these middlemen be attentive in their own branches and sell their specialized services at very sensible rates. They are captivating the risk of documentation process. It will be done by good management decision making. According to **Peter F. Drucker**, “Whatever a manger does, he does through making decisions”. Hence a manger can be viewed as a specialist in the art of decision-making. According to **Haynes and Massie**, “decision-making is a process of selection from a set of alternative courses of action which is thought to fulfill the objective of the decision problem more satisfactorily than others”.

CUSTOMS HOUSE AGENT (CHA)

Customs House Agent (CHA) is an agent to act on behalf of buyers and shippers. He is dictated by the highly involved and technical nature of the job to be done in joining with clearance of imports into and exports across the country. The work of the agent is governing by the Customs House Agents Licensing Regulations of India. There are convinced responsibilities fastened on the agent of the shipper or buyer under Sections given by the law. Some of these responsibilities are in the flora of extension of and exclusions to the liability of an agent. Newly, the practiced technical experts at Logistics Company can help shippers or buyers cargos clear speedily and competently with a computerized customs clearance network. They can lead through the difficulty of customs department. They handle all import and export permit necessities for cargos and also give desired advice on any product necessities or non-tariff barriers.

Section 146 of the Customs Act, 1962 states that no person shall carry on business as an agent relating to entry or departure of a conveyance or the import or export of goods at any customs station unless such person holds a license granted in this behalf in accordance with regulations made in this regard by the Board. Thus, any person desirous to carry on business as a Custom House Agent relating to entry or departure of a conveyance or import or export of goods at any Customs station is required to obtain a license, which is referred to as the CHA license and the person concerned as the Custom House Agent (CHA) (Customs-Manual-2012(29)).

According to CHA Regulations of India, "**Customs House Agent**" means a person have licensed under these regulations to act as agent for the transaction of any business relating to the entry or departure of transferences or the import or export of cargo at any Customs Station; "firm", "firm name", "partner" and "partnership" shall have the same meanings respectively assigned to them in the Indian Partnership Act, 1932 (9 of 1932), but the expression "partner" shall also include any person who, being a minor, has been admitted to the benefits of partnership;

The Commissioner of Customs shall also gratify himself whether the candidate, if he is an individual, possesses, or in spite of a firm or company, the persons who shall be really betrothed in the effort relating to clearance of cargo through customs on behalf of that firm or company, possess agreeable knowledge of English and the homegrown language of the Customs Station: Delivered that in the case of persons delegated to job exclusively in the docks, knowledge of English shall not be obligatory. Knowledge of Hindi shall be considered as desirable qualification (Under the CHA Regulation of India).

CUSTOMS DOCUMENTATION

Documentation plays a very significant role. Customs Documentation is a process of filing Shipping Bill or Bill of Entry for customs examination and clearance cargo for export or import. The handiness of exact documents, the precision of the information available in the documentation as well as the aptness in submitting the documents and filing the essential applications for the Customs Clearance defines the efficiency of the Customs Clearance process. Customs Documentation process necessitates set of documents to be submitted by the shipper or buyer. Customs Documentation is generally classified into two dimensions as figure.1.

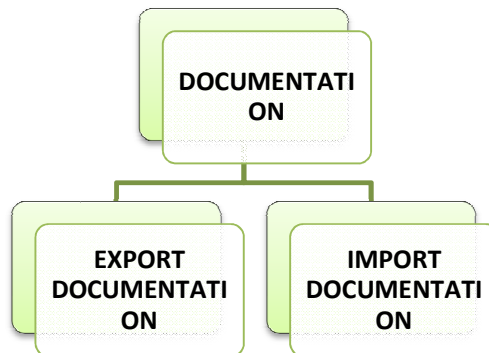


Figure: 1 Dimensions of Customs Documentation

(a) Export Documentation

Export documentation is difficult in nature as the sum of documents to be filled is very enormous, which should be submitted to concerned authorities. Therefore, advisable to take the help of shipping and forwarding agents who will get and fill out the documents properly as well as organize for transportation. Shippers are mandatory to follow definite formalities and procedures, using an amount of documents. Each of these documents attends a precise purpose and hence conveys its own importance. A vibrant understanding of all documents and their purpose, how to prepare the documents, number of copies required, when and where to file, is a necessity for all export specialists.

Accurate Documentation will certify smooth sailing with the necessities of the above agencies and the subsequent transaction will be a successful one. Imprecise or incomplete documentation will outcome in serious fiscal and goodwill losses. Such losses can be totally evaded by undoubtedly understanding of documentation necessities of all concerned parties and then accurately planning to get the precise documents in the right numbers, at the right places and at the right time.

PROCESS OF EXPORT DOCUMENTATION

Export documentation is hard when compare with Import, Because of coordinating the shipment and collecting various documents such as Quality control certificate, Certificate of origin etc. But work to be done is small when compare to import. Export documentation process is clearly showed in figure.2.

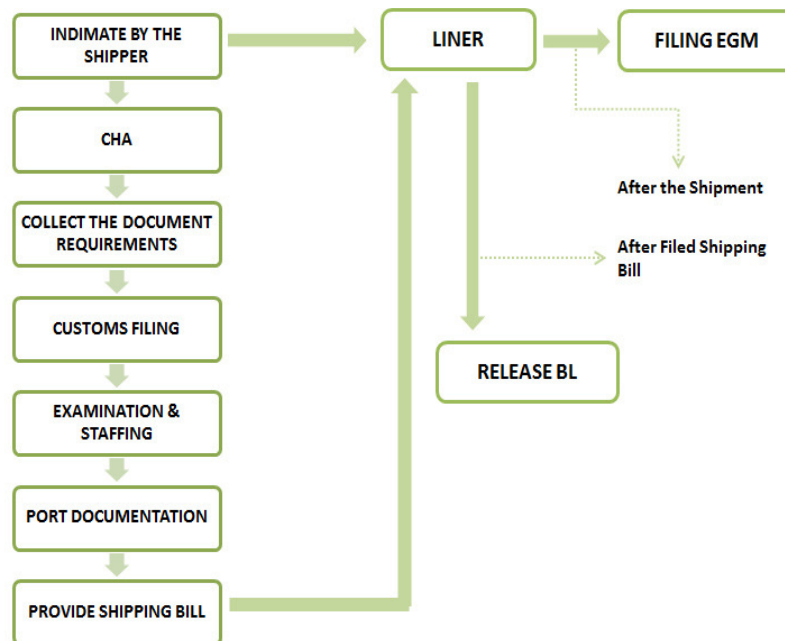


Figure: 2 Process of Export Documentation using CHA

In this process, shipper makes export documentation using by CHA. It is usual and popularly followed way. Shipper who wish to export the goods first intimate to freight forwarders for consolidate the goods or coordinate the shipment work like as Container or carriage and transport arrangements etc. In some exports, CHA act as freight forwarder which is the shipper wish. Shipper directly can arrange those works. The shipper will intimate to the Liner and book the container. And

he did vessel arrangements too. Then they also inform to CHA to do document filing and clearing. When the authenticated information received from shipper by CHA, he ask and note full details of container and vessel details form relevant liner. There are few significant documents required to fill customs document that is called Shipping Bill. CHA will collect required documents like Invoice, Packing List, LC/DC or Purchase order or Sales Agreement, and SDF etc. Then he does work to file shipping bill through Manual or EDI system. It shows in figure.3.

Now the documents filing procedure make easy by **ICE GATE** in India. ICEGATE stands for the **Indian Customs Electronic Commerce/Electronic Data interchange (EC/EDI) Gateway**. ICEGATE is a portal that provides e-filing services to the trade and cargo carriers and other clients of Customs Department (collectively called Trading Partner). At present, about 8500 users are registered with ICEGATE who are serving about 6.72 lakhs importer/exporter. ICEGATE links about 15/broad types partners with Customs EDI through message exchanges enabling faster Customs clearance and in turn facilitating EXIM Trade. (Refer ICE GATE of India).

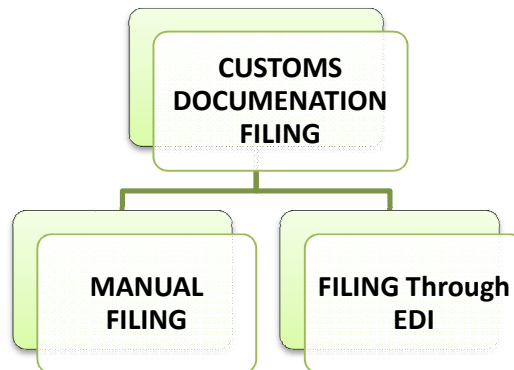


Figure: 3 Types of Customs Filing (Shipping Bill/Bill of Entry)

After filing shipping bill, the CHA have print Shipping bill check list (see Annexure 1) and go to CFS or ICD with all the above documents for examination and clearance work. He surrenders all the documents to Customs officials in CFS or ICD for verification. The customs officer has check with filed shipping bill through EDI system. If verification is clear, he will go to examine cargo directly and permit to staff or load. Already the cargo stored in CFS or ICD by sipper. If any problems with cargo, he should break the work and cancel the shipping bill. Then it comes to legal action. Whether cargo staffed, the container will sealed by customs officials and send to port. The CFS or ICD receipt use to enter port area. The CHA will go to port terminals and show the receipt and pay terminal charges.

Then he will receive ER (Electronic Receipt) from port terminal. The receipt will be shown to customs officials in port terminals for loading container in vessel. If it is clear, the officials do permit and provide shipping bill. The shipping bill copy is given to liner by CHA. The Liner release the Bill of Lading (BL- see Annexure 3) based on shipping bill. By using this BL Copy the Liner files the EGM (Export General Manifest) after the shipment gets over. The CHA finally have to send all the documents to shipper like shipping bill, BL, certificate of origin etc.

(b) Import Documentation

Import documentation is a process of customs documents filing, examining and clearing the cargo to buyer when goods imported from other country. It is done by CHA. Any interruption in filing or non-availability of documents can adjournment the process and in this manner buyer positions not only to incur demurrage on the imported cargo but also position to lose business opportunities.

PROCESS OF IMPORT DOCUMENTATION

Import documentation is very important to customs. Because of the maximum duties are collected on import of goods. So the importer and customs officials should be careful. The significant process of import documentation is clearly showed in following figure.3. It is usual way of Import documentation using by CHA.

For example, if the cargo exported to Indian buyer by a shipper from any one country. Now the buyer has to do import documentation process. He must collect all relevant documents from shipper. Then he go to intimate the CHA to do this work efficiently and in fast manner. CHA can do documentation and customs clearance when it receives authorized information and required documents from buyer. There are required set of documents like Invoice, Packing List, Certificate Origin and Bill of Lading (BL). The Clearing Agent have collected all the documents and surrender the BL to authorized Liner for filing IGM (Import General Manifest)and issue DO (Delivery Order). Then the Liner has to check the BL and to file IGM in Customs office.

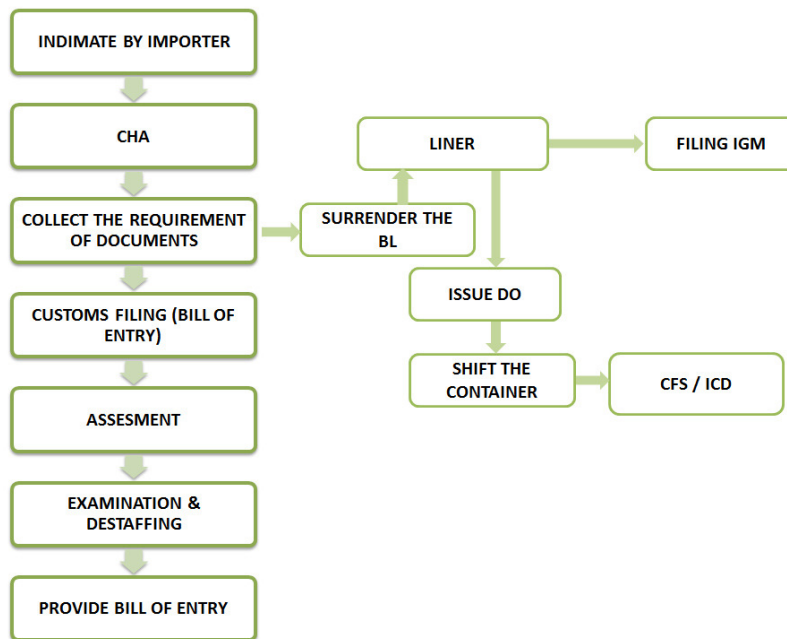


Figure: 3 Process of Import Documentation using CHA

After this process, they will issue DO to clearing agent. By using this order, clearing agent can move the container from port terminal to CFS (Container Freight Station) or ICD (Inland Container Depot) for examination and clearance. When filed IGM, CHA file the Bill of Entry in customs office manually or through EDI. Recently EDI system is in use. After this process, clearing agent should print the Bill of Entry check list (see Annexure 2) and go to CFS with all above documents. The customs officers in CFS have check the documents trough EDI and directly examine the imported goods. If it is perfectly match with documents and relevant duties are paid, the goods will be cleared. If it is not perfect, they will go for legal action. If the goods cleared, Bill of Entry issued by Customs officials is given to Clearing Agent. Then the goods deliver to buyer with all other documents.

RISK MANAGEMENT

Risk is normal term in any one business. But more in cross border business. The management will handle this risk by various strategic ways. Some risks in business can efficiently handle by some other people or agencies. One of the major and critical risk is customs documentation and clearance. It will be given to CHA by Shipper and Buyer. As the CHA is knowledgeable and talented in this work, Shipper and Buyer could surrender their own risk to them. The shipper and buyer have do only send and receive the goods but other work related to export and import handle and manage by middleman like Freight forwarder, CHA etc. it is better solution to awaiting lot business risk by Shipper and Buyer.

CONCLUSION

This paper enhance really work of customs documentation and clearance and emphasis significance of CHA in this work. The process of documentation and clearance in Export and Import is highlighted and explore in this paper. This study misses as proper explanation of required documents for documentation. But it is very large subject. It must be scope for further next study about document's information. In this paper, only total process of documentation for export and import of goods using CHA is nicely viewed. However the Customs Documentation has been significant work and successfully done by CHA. Shipper and Buyer manage the risk by placing CHA as a middleman.

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ANNEXURE - 1

ABC SHIPPING AGENCIES
 [Shipping Bill Check List]

 S.B No. & Date : Printed On:15/02/2013
 Icegate Job No :264 File Reference No:DUMMY1 Date:15/02/2013
 CHA :AAFFV5694ECH009 Name :ABC SHIPPING AGENCIES
 Port of Loading:INTUT1 State of Origin :TAMIL NADU
 Printed On :15/02/2013 Entered On :15/02/2013

EXPORTER DETAILS : CONSIGNEE DETAILS:
 3296014977 BIN NULL CLAIRE GROUP A/S,
 FACCTUM WEARS, MARSVEJ 6-10,
 Branch Sr. No. :0 DK-7430 IKAST,
 FACCTUM WEARS, DENMARK
 12, K.P.P GARDEN, 1ST FLOOR,
 KONGU MAIN ROAD,
 TIRUPUR -641 607.
 TAMIL NADU-
 Port of Loading :CusHouse, Tuticorin
 Port of Discharge :AARHUS Total Packages :
 Gross Weight : Loose Packets :
 Country of Dest. :DENMARK Net Weight :
 Nature Of Cargo. : Number of Ctrs :0
 Forex Bank A/c No :1494 RBI Waiver No/Date:
 FOB Value(INR) :15062 DRAWBACK(INR) :1295.33
 Adcode :0230492 Bank A/c Number :

 INVOICE DETAILS Number of Invoices : 1

Invoice S.NO. :1
 Invoice Number :FWS-105/2010-11Date :08/11/2012
 Nature Of Contract :FOB Buyer Details :
 Nature Of Payment :DA SAME AS CONSIGNEE
 Period Of Agreement:60
 Currency Code :USD
 Exchange Rate :44.3
 Invoice Value(FC) :340
 Invoice Value(INR) :15062 DBK Value(INR) : 1295.33

	Rate	Currency	Amount
Insurance	0	USD	0
Freight	0	USD	0
Commission	0	USD	0
Discount	0	USD	0
Other Ded.	0	USD	0

Packing Charges 0 USD 0

 ITEMS OF EXPORT

No	RITC CD	Description	Unit	Value(FC)	FOB(INR)	SchCd
Quantity	Units	Item RatePer	PMV	TOT	PMV	
Scheme	Description					
1	61091000	95%COTTON 5% ELASTANE KNITTED GIRLS T-SHIRT				
100	PCS	3.40 Per 1	PCS	340.00	15062	19
	DRAWBACK (DBK)			165.68	16568.00	

TOTAL FOB : 15062
 TOTAL PMV : 16568

DRAWBACK PAYABLE

Inv Sno	Item SNO	DBK SNo	DBK SNo	Customs Rate	Excise Rate	DBK Adv	DBK Rate	DBK Spec	DBK Qty	DBK Amt (INR)	Unit
1	1	610902A		0	0	8.6	28		100	1295.33	PCS
										1295.33	

I/We declare that the particulars given herein are true and are correct.

Signature of
 For ABC SHIPPING AGENCIES

ANNEXURE – 2

CHECK LIST - Bill of Entry
=====

Date: 15/02/2013

Port of Submission : TUTICORIN Mode of Transport: Sea
CHA : AAFFV5694ECH009 ABC SHIPPING AGENCIES

Importer:3506001841 PAN: Job No /Job Yr: 5/2012
Green Channel: No

KAYCEE INDUSTRIAL CHEMICALS PVT.LTD

Branch SlNo. : 0 Sec 48:

111/33/E-1 MAIN ROAD,
STATE BANK COLONY,
TUTICORIN
TAMILNADU PIN- 0

BE Type : Home Consumption

Kaccha BE :No
Govt./Private:Private Prior BE: Normal First Check: No

IGM No./YR : 2009018 /2011 24/03/2011 Port of Loadg. :HAIPHONG

Cntry of Orig.:VIETNAM, DEMOCRATIC REP. OF
Cntry of Consign : VIETNAM,
DEMOCRATIC REP. OF

BL. : MAXHAI1208TUT211 HBL :
Date :25/02/2011 Date :
No. of Pkgs :1250 BAG Gross Wt.: 50400 KGS
Marks :AS ADDRESS
& Nos :<Nil>
<Nil>

INVOICE DETAILS

SUPPLIER DETAILS

Inv No. & Dt : DLH-KCIC/1102001 24/02/2011

Inv Value : 5750 USD ToI: CIF D.L.H MINERALS JSC
Freight : 0% 7TH FL NGUPHUC TOWER,NO.7 LOT 3B
Insurance : 0% LE HONG STR,NGO QUYEN,HAI PHONG,
SVB Load(Dty): 0 Cust. House: VN, VIETNAM
SVB Load(Ass): 0 Hss Load Rate: 0.00 Amount : 0.00
Misc Charges : 0 Total Misc. Amt : 0
Discount Rate : 0.00 Discount Amount: 0.00

Exchange Rate: 1 USD = 45.2 INR

ITEM DETAILS

Slno	RITC	Item Description				RSP		
Qty		Unit Price	CTH	C.Notn	C.NSNO	Cus	Duty	Rt BCD
Amt (Rs)								
Unit		Ass Value	CETH	E.Notn	E.NSNO	Exc	Duty	Rt CVD
Amt (Rs)								
1	25221000	QUICK LIME				N		
50		115	25221000	021/2002	517	5%		13125
MTS		262499	25221000			0%		0
		Educational Cess on CVD :				3%		0
		Customs Educational Cess :		0		3%		393.7
		Additional Duty - 2006 :		019/2006		4 %		
11040.7								
		Health Duty :				0%		0.00

Rs.	262499	Inv.Gross Total Rs.	24559.4
Rs.	262499	BE Gross Total Rs.	24559.4
		Duty Payable Rs.	24559.4

CONTAINER DETAILS

IGM NO	CONTAINER NO	SEAL NO	LCFC
2009018/2011	YMLU2511019		F
2009018/2011	YMLU2450058		F

ANNEXURE – 3
Bill of Lading (BL)

SHIPPER (MAX 5 LINES) ABC INDIA PVT. LTD. GAT NO.147, VILLAGE TAMGAON, TALUKA : KARVEER DIST. KOLHAPUR-416234 - INDIA		BOOKING NO.22020202	
		SEA WAY BILL	
Consignee: (MAX 5 LINES) EYZ SPA. VIA SALTORE ITALY - P.IVA 01141930261		FROM : XYZ INT'L SHIPPING PVT LTD.	
1 Notify Party: (MAX 5 LINES) SAME AS CONSIGNEE			
Vessel and Voyage No: TIGER CAPE V-130 E		Place of Receipt:	
Port of Loading: TUTICORIN , INDIA	PORT of Discharge VENICE	Place of Delivery: VENICE, ITALY	
Shipping Marks & Nos	Number and Kind of Packages Description of Goods	Gross Weight In Kgs.	Net Weight In kgs.
NE 100/2 COMBED COTTON YARN	1 X 40' HC FCL SAID TO CONTAIN 39 PACKAGES 20 PALLETS & 19 CARTONS (TWENTY PALLETS & NINETEEN CARTONS) 100% GREY COTTON YARN MORE OR LESS THAN 10 PCT OF KGS 20 PALLETS OF NE 100/2 COMBED WEAVING 19 CARTONS OF GASSING TFO COTTON YARN ON CONES	19892.20 KGS	18300.00 KGS
CONTAINER NO. : HLXU 6257256	INVOICE NOS. : TMI/ME/EXP/04 DT.13.06.2009 SHIPPING BILL NO. : 2109665 DT.13.06.2009 " FREIGHT PREPAID"		
SEAL NO: 5824242			