



Study Material on Export and Customs Valuation

(Seminar Study Material)

ABOUT THE TRAINER



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Table of Contents

Export and Various Definitions	3
Meaning, Scope and Other Details Related to Exports	15
Landmark Judgement Defining Export	19
Valuation of Exported Goods	24
Exports under GST	36
Export of services	44
Export Advance Rulings and case studies	57
Export Promotion Schemes under Foreign Trade Policy	62
MCQ-Type Questions	68

Export and Various Definitions

The Exports are defined under various act and below is the definition of import under various act:

Definition of “Export” Under Customs Act, 1962

According to section 2(18) of the Customs Act 1962 **“Export”**, with its grammatical variations and cognate expressions, means taking out of India to a place outside India.

Definition of “Export” Under SEZ Act, 2005

“Export” means –

- (i) Taking goods, or providing services, out of India, from a Special Economic Zone, by land, sea or air or by any other mode, whether physical or otherwise; or

Example: Taking goods or providing services from Noida Special Economic Zone to USA.

- (ii) Supplying goods, or providing services, from the Domestic Tariff Area to a Unit or Developer; or

Example: ABC Ltd engaged in management consultancy services which is not registered in SEZ rendered services to XYZ Ltd which is registered in Noida Special Economic Zone.

- (iii) Supplying goods, or providing services, from one Unit to another Unit or Developer, in the same or different Special Economic Zone;

Example: ABC Ltd engaged in management consultancy services which is registered in Noida SEZ rendered services to XYZ Ltd which is also registered in Noida Special Economic Zone.

Definition of “Export” Under the Foreign Trade (Development & Regulation) Act, 1992

1. In relation to goods Export of Goods means taking out of India any goods by land, sea or air;
2. In relation to services or technology —
 - ❖ Export of services or technology means from India into the territory of any other country; [Cross border trade mode]

Example: A user in Nepal receives services from India through its telecommunications or postal infrastructure. Such supplies may include consultancy or market research reports, tele-medical advice, distance training, or architectural drawings etc.

- ❖ In India to the service consumer of any other country; [Consumption abroad mode]

Example: Nationals of Nepal have moved India as tourists, students, or patients to consume the services in India.

- ❖ By a service supplier of India, through commercial presence in the territory of any other country; [Commercial Presence mode]

Example: The service is provided within Nepal by a locally-established affiliate, subsidiary, or representative office of an Indian-owned and controlled company (bank, hotel group, construction company, etc.)

- ❖ By a service supplier of India, through presence of Indian natural persons in the territory of any other country [Presence of natural person's mode]

Example: A Indian national provides a service within Nepal as an independent supplier (e.g., consultant, health worker) or employee of a service supplier (e.g. consultancy firm, hospital, construction company).

Definition of “Export” under the Foreign Exchange Management Act, 1999

“Export”, with its grammatical variations and cognate expressions, means—Goods that are taking out of India to a place outside India any goods, Services are provision of services from India to any person outside India;

Definition of “Export” under GST

Export of goods - with its grammatical variations and cognate expressions, means taking goods out of **India** to a place outside India.

Export of services means the supply of any service when, —

- (i) The supplier of service is located in India;
- (ii) The recipient of service is located outside India;
- (iii) The place of supply of service is outside India;
- (iv) The payment for such service has been received by the supplier of service in convertible foreign exchange [or in Indian rupees wherever permitted by the Reserve Bank of India]; and
- (v) The supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8;

Other Definitions:

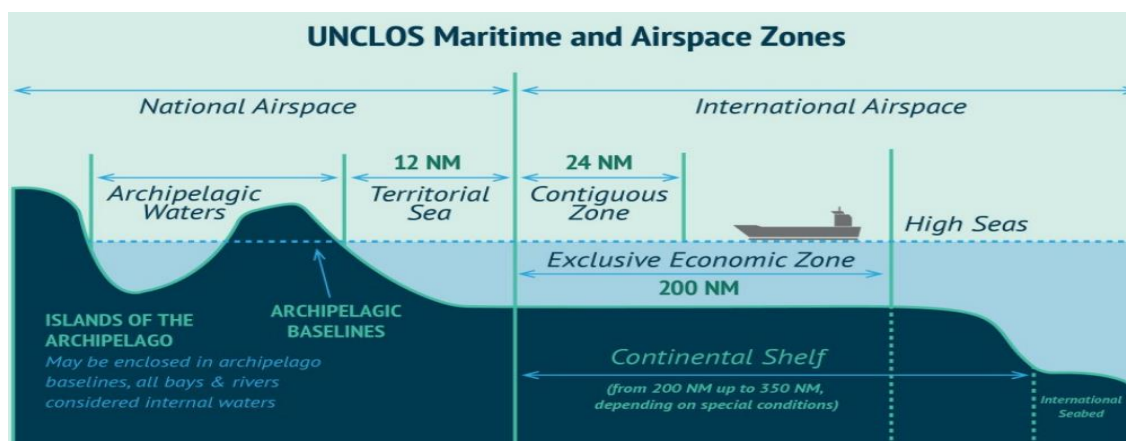
Definition of India Under Customs Act 1962

According to Section 2(27) of the Customs India includes the territorial waters of India. As Per Section 3 of the Territorial Water, Continental Shelf, Exclusive Economic Zone and Other Maritime Zone Act, 1976, territorial water extends to 12 nautical miles (**1 nautical miles = 1.1515 miles 1.852 km**) into the sea from the base line on the coast of India and include any bay, gulf, harbour, creek or tidal river. Further note that, India includes not only the surface of sea but also to the seabed and subsoil underlying, and the air space over, such waters.

India has sovereignty in its territorial waters. That means all the provisions of the Customs Act and rules and regulations are applicable in Indian Territorial Waters.

Meaning of Terms Used in India Definition:

- **Baseline:** It is lower water mark along the coast.
- **Exclusive Economic Zone of India (EEZI):** The exclusive economic zone of India is an area beyond and adjacent to the territorial waters, and the limit of such zone is 200 nautical miles from the baseline.
- **Continental Shelf of India (CSI):** The continental shelf of India comprises the seabed and subsoil of the submarine areas that extend beyond the limit of its territorial waters throughout the natural prolongation of its land territory to the outer edge of the continental margin or to a distance of 200 nautical miles from the baseline, where the outer edge of the continental margin does not extend up to that distance.



Definition of Goods under Customs Act, 1962 (Customs):

Definition of “Goods” Under Customs

According to Section 2(22) of the Customs Act, 1962 **“GOODS”** includes:

- (a) vessels, aircrafts and vehicles;
- (b) stores;
- (c) baggage;
- (d) currency and negotiable instruments; and
- (e) any other kind of movable property.

Definition of “Export Goods” Under Customs

According to Section 2(19) of the Customs Act, 1962 **“Export goods”** means any goods which are to be taken out of India to a place outside India.

Definition of “Dutiable goods” Under Customs

According to Section 2(14) of the Customs Act, 1962 **“Dutiable goods”** means any goods which are chargeable to duty and on which duty has not been paid.

Definition of “Coastal goods” Under Customs

According to Section 2(7) of the Customs Act, 1962 **“Coastal goods”** means goods, other than imported goods, transported in a vessel from one port in India to another.

Definition of “Free Goods” Under Customs

a) Exports and Imports shall be ‘Free’ except when regulated by way of ‘Prohibition’, ‘Restriction’ or ‘Exclusive trading through State Trading Enterprises (STEs)’ as laid down in Indian Trade Classification (Harmonized System) [ITC (HS)] of Exports and Imports.

(b) Further, there are some items which are ‘Free’ for import/export, but subject to conditions stipulated in other Acts or in law for the time being in force.

Definition of “Prohibited Goods” Under Customs

According to Section 2(33) of the Customs **“Prohibited Goods”** means any goods the import or export of which is subject to any prohibition under this Act or any other law for the time being in force but does not include any such goods in respect of which the conditions subject to which the goods are permitted to be imported or exported have been complied with.

Definition of Restricted Goods

Any goods /service, the export or import of which is ‘Restricted’ may be exported or imported only in accordance with an Authorisation / Permission or in accordance with the Procedures prescribed in a Notification / Public Notice issued in this regard.

The Exporter Can export the goods in following places as defined below:

Definition of Customs Station Under Customs Act 1962

According to Section 2(13) of the Customs “**Customs station**” means any customs port, customs airport, international courier terminal, foreign post office or land customs station.

Definition of Customs Airport Under Customs Act 1962

According to Section 2(10) of the Customs “**Customs airport**” means any airport appointed u/s 7(a) to be a customs airport and includes a place appointed u/s 7(aa) to be an air freight station.

Definition of Customs Area Under Customs Act 1962

According to Section 2(11) of the Customs “**Customs area**” means the area of a customs station or a warehouse and includes any area in which imported goods or export goods are ordinarily kept before clearance by Customs Authorities;

Definition of Customs Port Under Customs Act 1962

According to Section 2(12) of the Customs “Customs port” means any port appointed u/s 7(a) to be a customs port and includes a place appointed u/s 7(aa) to be an inland container depot;

Definition of Warehouse Under Customs Act 1962

According to Section 2(43) of the Customs “**warehouse**” means a public warehouse licensed under Section 57 or a private warehouse licensed under Section 58 or a special warehouse licensed under Section 58A.

Definition of Person-In-Charge Under Customs Act 1962

According to Section 2(31) of the Customs “**person-in-charge**” means –

- (a) in relation to a vessel, the master of the vessel;
- (b) in relation to an aircraft, the commander or pilot-in-charge of the aircraft;
- (c) in relation to a railway train, the conductor, guard or other person having the chief direction of the train;
- (d) in relation to any other conveyance, the driver or other person-in-charge of the conveyance.

Other Details related to Export:

Definition of “Exporter” Under Customs Act 1962

According to Section 2(20) of the Customs Act, 1962 "**Exporter**", in relation to any goods at any time between their entry for export and the time when they are exported, includes [any owner, beneficial owner] or any person holding himself out to be the exporter.

Definition of Third-Party Exports

“Third-party exports” Means exports made by an exporter or manufacturer on behalf of another exporter(s). In such cases, Export documents such as shipping bills shall indicate names of both manufacturer exporter/manufacturer and third-party exporter(s).

Following should be in the name of third-party exporter:

- Bank Realization Certificate (BRC),
- Self-Declaration Form (SDF),
- Export order and
- Invoice.

Free Exports:

All goods may be exported without any restriction except to the extent that such exports are regulated by ITC(HS) or any other provision of FTP or any other law for the time being in force. DGFT may, however, specify through a Public Notice such terms and conditions according to which any goods, not included in ITC(HS), may be exported without an Authorisation.

Export of Samples:

Exports of bonafide trade and technical samples of goods of freely importable items are allowed without any limit.

Export of Gifts:

Goods including edible items, of value not exceeding Rs.5,00,000 in a licensing year, may be exported as a gift. However, items mentioned as restricted for exports in ITC(HS) shall not be exported as a gift, without an Authorisation.

“Special Economic Zone (SEZ)” is a specifically delineated duty-free enclave and shall be deemed to be foreign territory for the purposes of trade operations and duties and tariffs.

It is a geographical area within a country that has different economic laws than the rest of the country. SEZs are often designed to promote economic growth and increase trade, employment, and investment. They can offer incentives to businesses, such as: Tax incentives, Duty-free exports, Lower tariffs, Special customs procedures, and Competitive infrastructure.

Export oriented units (EOUs):

The Export Oriented Units (EOUs) scheme was introduced in early 1981, primarily to boost exports by creating additional production capacity. It was introduced as a complementary scheme to the Free Trade Zones/Export Processing Zone (EPZ) Scheme introduced in the sixties. It adopts the same production regime as SEZs (erstwhile EPZs) but offers a wide option in locations.

Units undertaking to export their entire production of goods and services, except permissible sales in the DTA, as per the Export-Import Policy are referred to as export-oriented units (EOUs). The EOUs function under the administrative control of the concerned Development Commissioner of Special Economic Zone i.e., under the Department of Commerce, Government of India.

The EOUs are governed by the provisions of Chapter 6 of the Foreign Trade Policy (FTP) and its procedures, as contained in the Handbook of Procedures (HBH).

Deemed Exports

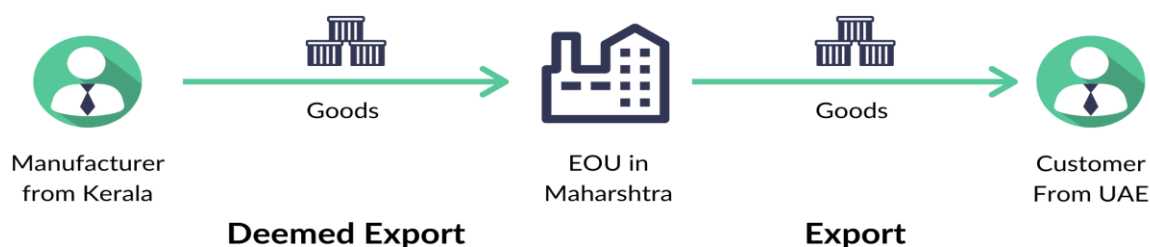
Deemed Exports refer to domestic transactions where goods are supplied within India without leaving the country, and payment is received in Indian rupees or foreign exchange. These transactions are considered similar to exports because they support export-oriented activities or import substitution.

Key Features of Deemed Exports:

1. **Domestic Supplies:** Goods are supplied within India to eligible buyers involved in export-oriented or import-substitute processes.
2. **No Physical Export:** Goods do not physically leave India.
3. **Eligibility for Export Benefits:** Suppliers can claim benefits like duty drawbacks, exemptions, and refunds similar to traditional exports.

Categories of Deemed Exports:

1. Supplies to Export Oriented Units (EOUs), EHTPs, STPs, and BTPs.
2. Supplies against Advance Authorization for duty-free import of inputs.
3. Supplies under the Export Promotion Capital Goods (EPCG) Scheme.
4. Supplies to power projects, refineries, and nuclear projects.
5. Supplies to the UN or international organizations and their projects.
6. Supplies to Mega Power Projects.
7. Supplies from Domestic Tariff Areas (DTA) to Special Economic Zones (SEZs).



Merchant Exports

Merchant Exports involve exporting goods by traders who do not manufacture the products themselves but instead purchase them from domestic manufacturers and sell them overseas. This practice plays a crucial role in India's export sector, especially in supporting exports from MSMEs and smaller manufacturers.

Key Points on Merchant Exports:

1. Definition:

A Merchant Exporter is an individual or entity engaged in trading activities, exporting goods bought from manufacturers within India. They do not have their own production facilities but specialize in procuring and marketing goods internationally.

2. Nature of Work:

Merchant exporters identify suppliers, procure goods, and sell them to international buyers. They utilize marketing strategies like social media, email campaigns, and websites to find buyers. Goods are shipped under the merchant exporter's name, and they must register on the GST portal to access government incentives.

3. Merchanting Trade Reform:

The Foreign Trade Policy 2023 introduced reforms to promote merchanting trade from India, allowing exporters to buy from one country and supply to another, even if goods do not cross Indian borders. This aims to position India as a global trade hub.

4. Supporting Manufacturers:

Supporting Manufacturers are those who produce goods for merchant exporters. Under schemes like EPCG, benefits can extend to supporting manufacturers if they are named on export documents alongside the merchant exporter.

Shipping Bill:

A shipping bill is a bill for shipment needed for custom clearance while you are exporting products. Bill of lading is issued by the shipping company to the transporter when the transporter loads goods to the ship.

HSN [Harmonized System of Nomenclature]

HSN code is an internationally accepted system for categorizing goods in a structured and systematic manner. Developed by the World Customs Organization (WCO), it is used for customs tariffs, trade statistics and various other purposes globally. The HSN code is a numeric representation of goods, with each code representing a specific category or product. In simpler terms, all the goods that are of the same type and category will be represented by a common code known as the HSN code.

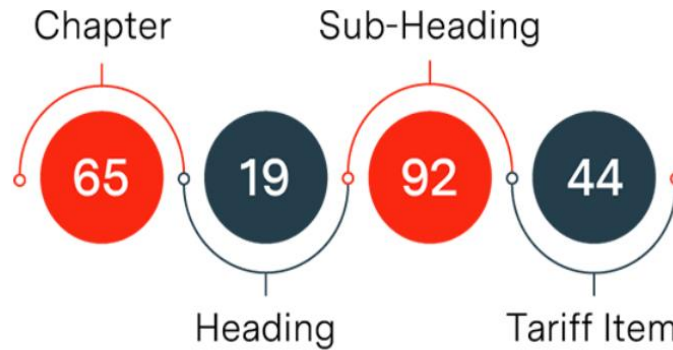
In the context of the GST regime, the HSN code serves as a basis for determining the tax liability of goods. A particular GST tax rate is assigned to each HSN code. It helps

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in the proper identification and classification of products, making it easier for businesses and tax authorities to understand the nature of the goods and apply the correct tax rate.

Structure of HSN Code in India:



The HSN code follows a systematic structure that enables easy identification and classification of goods. The code comprises six–eight digits, grouped as follows:

First Two Digits: The first two digits represent the HSN chapter.

Next Two Digits: The next two digits signify the HSN heading.

Subsequent Two Digits: The subsequent two digits denote the HSN sub-heading.

Last Two Digits: The last two digits signify the tariff items.

The level of detail in the classification increases with each additional digit. The more digits present, the more specific the product classification becomes. This hierarchical structure aids in determining the applicable GST rate accurately. You can easily find the HSN code relevant to your product from the HSN code list. You can also use the HSN code finder to help identify the correct HSN code for your goods and services.

SCOMET

SCOMET item is an acronym for Special Chemicals, Organisms, Materials, Equipment, and Technologies, and these are dual-use items that can be used for both civilian and military applications. India's **Foreign Trade Policy** regulates the export of items on the SCOMET List. The exporter must obtain a license from the **Directorate General of Foreign Trade**, Ministry of Commerce, to export SCOMET.

SCOMET Items Categories

The eight categories of SCOMET items are as follows:

Category 0: Nuclear material, equipment, technology, and nuclear-related other materials

Category 1: Toxic chemical agent and other chemicals.

Category 2: Microorganisms and toxins.

Category 3: Material, Materials Processing Equipment's, and other material-related technologies.

Category 4: Nuclear-related equipment, test, and production types of equipment; assemblies and components of nuclear; and related technology, not controlled under Category 0.


Category 5: Aerospace system, equipment including productions and test types of equipment, related technology, and specially designed components and accessories.

Category 6: Munitions List

Category 7: Computers, electronic, and information technology, including information security.

Category 8: Special Materials and Related Types of equipment, Electronics, Computers, Material Processing, Information Security, Sensors, Telecommunications and Lasers, Avionics, Marine, Aerospace Navigation, and Propulsion.

Shipping Bill

INDIAN CUSTOMS EDI SYSTEM		Port Code		SB No		SB Date	
 CENTRAL BOARD OF INDIRECT TAXES AND CUSTOMS DEPARTMENT OF REVENUE - MINISTRY OF FINANCE GOVERNMENT OF INDIA		INBLR4		2549214		02-JUL-22	
		IEC/Br		0706003184		0	
		GSTIN/TYPE		#####		GSN	
		CB CODE		AAICS1083QCH004			
		TYPE		INV		ITEM	
		Nos		1		0	
		PKG		1		18	
ACC BANGALORE BENGALURU INTERNATIONAL AIRPORT		G.WT		KGS			

PART - I - SHIPPING BILL SUMMARY											
A STATUS	1.MODE	2.ASSESS	3.EXMN	4.JOBGING	5.MEIS	6.DBK	7.RODTP	8.DEEC/DFIA	9.DFRC	10.RE-EXP	11.LUT
	AIR	N	Y	N	Y	N	N	N	N		Y
B DECLARANT DETAILS	12.PORT OF LOADING					13.COUNTRY OF FINAL DESTINATION					
	14.STATE OF ORIGIN					15.PORT OF FINAL DESTINATION					
C MANIFEST DETAILS	16.PORT OF DISCHARGE					17.COUNTRY OF DISCHARGE					
	1.EXPORTER'S NAME & ADDRESS					7.CONSIGNEE NAME & ADDRESS					
D EX PF	3. AD CODE:					3. GSTIN / TYPE					
	4.RBI WAIVER NO. & DT					3.FOREX BANK A/C NO.					
E MANIFEST DETAILS	5. CB NAME					10.DBK BANK A/C NO.					
	6.AEO					11. IFSC NO.					
F EQUIPMENT DETAILS	1.FOB VALUE	2.FREIGHT	3.INSURANC	4.DISCOU	5.COM	1.DBK CLAIM	2. IGST AMT	3.CESS AMT			
	289409.4	0	0	0	0	0	0	0			
G ANNEX DETAILS	6.DEDUCTIONS	7.P/C	8.DUTY	9.CESS		4.IGST VALUE	5.RODTEP AMT	6.ROSCOTL AMT			
	0	0	0	0		0	0	0			
H ANNEX DETAILS	1.MAWB NO.	2.MAWB DT	3.HAWB NO.	4.HAWB DT	N.O.C.	1.SNO	2.INV NO.	3. INV AMT.	4.CURRENC		
	61599546343		9559891876			1	SI-02 2022-00256	3746.4	USD		
I ANNEX DETAILS	4. CIN NO.	5. CIN DT.	6. CIN SITE ID								
	02-JUL-22		INBLR4								
J PROCESS DETAILS	1.CONTAINER	2.SEAL	3.DATE	4.S No		1SR.NO	2.CHALLAN NO	3.PAYMT DT	4.AMOUNT		
K ANNEX DETAILS	1.SEAL TYPE	2.NATURE OF CARGO	3.NO. OF PACKETS	1.NO. OF CONTAINERS	5.LOOSE PACKETS						
	WAREHOUSE SEALED	PACKAGED	1	0	1						
L ANNEX DETAILS	6.MARKS & NUMBERS	HAWB:9559891876 WE INTEND TO CLAIM REWARDS UNDER RODTEP SCHEME									
M ANNEX DETAILS	1.EVENT	2.DATE	3.TIME	4.LEO NO.	1/169						
	5.Submission	02-JUL-22	03:46	5.LEO Date.	02-JUL-22						
N ANNEX DETAILS	5.Assessment			9.BRC Realisation Date	30-APR-23						
	7.Examination	02-JUL-22	13:16								
O ANNEX DETAILS	9.LEO	02-JUL-22	13:29								

Signature Not Verified

Digitally signed by DS CENTRAL BOARD OF INDIRECT TAXES AND CUSTOMS 04
 Date: 2022.07.02 13:41:31 IST
 Reason: CUSTOMS
 Location: INDIA

Glossary

A: ASSESS - Assessed, EXMN - Examined, MEIS - Merchandise Export Incentive Scheme, DBK - Drawback, ROSL - Rebate of State Levies, DEEC - Duty Exemption Entitlement Certificate, DFRC - Duty Free Replenishment Certificate, LUT - Letter of Undertaking, B: CB - Customs Broker, AD Authorized Dealer, AEO - Authorized Economic Operator, UCR - Unique Customs Reference, DISCOU - Discount, COM - Commission, P/C Packing Charges, D: EX. PR - Export Promotions E: MAWB / HAWB - Master / House Airway Bill Number, J: BRC - Bank Realisation Certificate

Scan QR Code using ICETRAK Mobile App for authentication.
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Bill of Lading

Date: _____		BILL OF LADING		Page 1 of _____	
SHIP FROM				Bill of Lading Number: _____ <div style="text-align: center; font-weight: bold; color: #ccc;">BAR CODE SPACE</div>	
Name: _____ Address: _____ City/State/Zip: _____ SID#: _____					
FOB: <input type="checkbox"/>					
SHIP TO					
Name: _____ Location #: _____ Address: _____ City/State/Zip: _____ CID#: _____				CARRIER NAME: _____ Trailer number: _____ Seal number(s): _____ SCAC: _____ Pro number: _____ <div style="text-align: center; font-weight: bold; color: #ccc;">BAR CODE SPACE</div>	
FOB: <input type="checkbox"/>					
THIRD PARTY FREIGHT CHARGES BILL TO:					
Name: _____ Address: _____ City/State/Zip: _____					
SPECIAL INSTRUCTIONS: _____				Freight Charge Terms: (freight charges are prepaid unless marked otherwise) Prepaid _____ Collect _____ 3 rd Party _____ <input type="checkbox"/> (check box) Master Bill of Lading: with attached underlying Bills of Lading	
CUSTOMER ORDER INFORMATION					
CUSTOMER ORDER NUMBER	# PKGS	WEIGHT	PALLET/SLIP (CIRCLE ONE)		ADDITIONAL SHIPPER INFO
			Y	N	
			Y	N	
			Y	N	
			Y	N	
			Y	N	
			Y	N	
			Y	N	
			Y	N	
GRAND TOTAL					
CARRIER INFORMATION					
HANDLING UNIT		PACKAGE		WEIGHT	H.M. (X)
QTY	TYPE	QTY	TYPE		
COMMODITY DESCRIPTION				LTL ONLY	
Commodities requiring special or additional care or attention in handling or stowing must be so marked and packaged as to ensure safe transportation with ordinary care. See Section 2(p) of NMFC Item 340				NMFC #	CLASS
GRAND TOTAL					
When the rate is dependent on value, shippers are required to state specifically in writing the agreed or declared value of the property as follows: *The agreed or declared value of the property is specifically stated by the shipper to be not exceeding _____ per _____.				COD Amount: \$ _____ Fee Terms: Collect: <input type="checkbox"/> Prepaid: <input type="checkbox"/> Customer check acceptable: <input type="checkbox"/>	
NOTE Liability Limitation for loss or damage in this shipment may be applicable. See 49 U.S.C. • 14706(c)(1)(A) and (B). RECEIVED, subject to individually determined rates or contracts that have been agreed upon in writing between the carrier and shipper, if applicable, otherwise to the rates, classifications and rules that have been established by the carrier and are available to the shipper, on request, and to all applicable state and federal regulations.					
SHIPPER SIGNATURE / DATE This is to certify that the above named materials are properly classified, packaged, marked and labeled, and are in proper condition for transportation according to the applicable regulations of the DOT.				The carrier shall not make delivery of this shipment without payment of freight and all other lawful charges. <div style="text-align: right;">Shipper Signature _____</div>	
Trailer Loaded: <input type="checkbox"/> By Shipper <input type="checkbox"/> By Driver		Freight Counted: <input type="checkbox"/> By Shipper <input type="checkbox"/> By Driver/pallets said to contain <input type="checkbox"/> By Driver/Pieces		CARRIER SIGNATURE / PICKUP DATE Carrier acknowledges receipt of packages and required documents. Carrier certifies emergency response information was made available and/or carrier has the DOT emergency response guidebook or equivalent documentation in the vehicle. Property described above is received in good order, except as noted.	

Meaning, Scope and Other Details Related to Exports

Meaning and Scope of Exports

Export refers to the process of **selling goods or services produced in one country to buyers in another country**. It involves the movement of products across international borders, typically from a domestic company to a foreign market. Exports can include tangible products (such as machinery, food, or raw materials) or intangible services (such as software development, financial services, or tourism).

Key Points:

- **Goods or services:** Exports can be physical goods (e.g., cars, electronics) or services (e.g., consulting, IT services).
- **Cross-border trade:** It involves transactions between businesses or individuals from different countries.
- **Economic significance:** Exporting is crucial for economic growth, helping countries earn foreign exchange, create jobs, and diversify their markets.

Key Objectives of Exports

1) **Sale of Surplus Production:**

- A country may produce more than it requires.
- Then, in that case, the surplus may be sold to foreign countries.

2) **Optimum Utilization of Domestic Resources:**

- Every country has some natural resources in plenty.
- These resources can be utilized to increase the production and sell to those countries where these are in shortage.

3) **Employment Opportunities:**

- International business helps the business enterprises to focus on more production which requires more manpower that means more employment opportunities.

4) **Earning of Foreign Exchange:**

- A country with surplus production may earn foreign exchange by selling goods and services to other countries.

5) **Increase the National Income:**

- Earning of foreign exchange due to exports add to the national income of a country.
- This help in improving the standard of living of people.

6) **Industrial and Technological Advancement:**

- Exposure to international markets encourages Indian industries to adopt new technologies, improve product quality, and innovate to meet global standards.

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7) Support to Small and Medium Enterprises (SMEs):

- Export opportunities provide SMEs with a platform to grow beyond local markets, boosting their revenues and contributing to the overall economy.

8) Technological and Knowledge Transfer:

- Participation in global trade facilitates the transfer of technology, skills, and best practices from developed economies, contributing to India's industrial development.

Main advantages that exporting offers to any business or company

1. Increasing Profit Margins:

Exporting products manufactured in countries with low production costs to markets where the retail price may be higher is a way to achieve higher profit margins. Moreover, exporting is a way to reduce costs and increase revenues—two variables that lead to profit growth.

2. Reducing Production Cost per Unit:

It is usually necessary to increase production to enter new markets. This is a gateway to achieve economies of scale, generate large business volumes and reduce production costs per unit.

3. Improving Liquidity:

Payment terms with low financial risk—such as full or partial advance payment, letter of credit or documentary collection—are common in exports. Thanks to them, the exporting company reduces the risk of the operation, increases cash flow and has more liquidity at its disposal.

4. Enhancing Competitiveness:

The mere fact of competing in new markets against new companies is a test for the exporter and its products or services. Continuous adaptation becomes essential, generating a constant evolution that leads to a permanent improvement of processes, strategies, equipment, etc. In short, the exporting company becomes increasingly competitive.

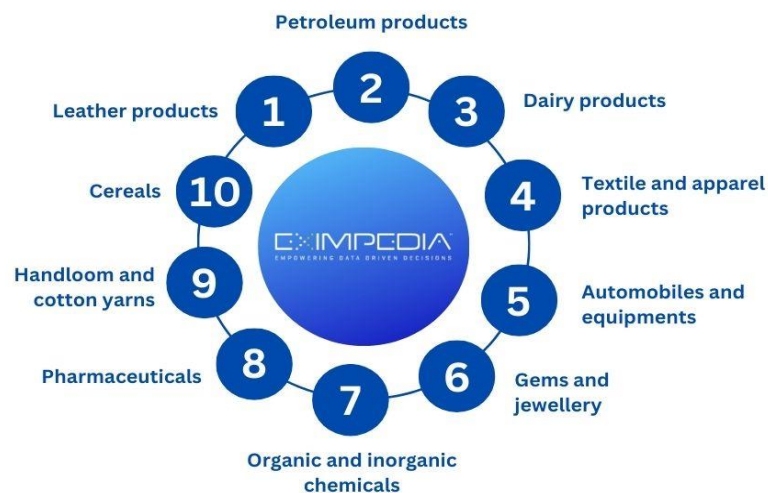
5. Operating in Markets with Less Competition:

Before starting to export, it is essential to choose the country in which we want to sell our products and services. Good market research should take into account the export costs derived from transport, the customs tariffs and the competition that exists in each market. One of our priorities must be to export to countries where our products and services have less competition.

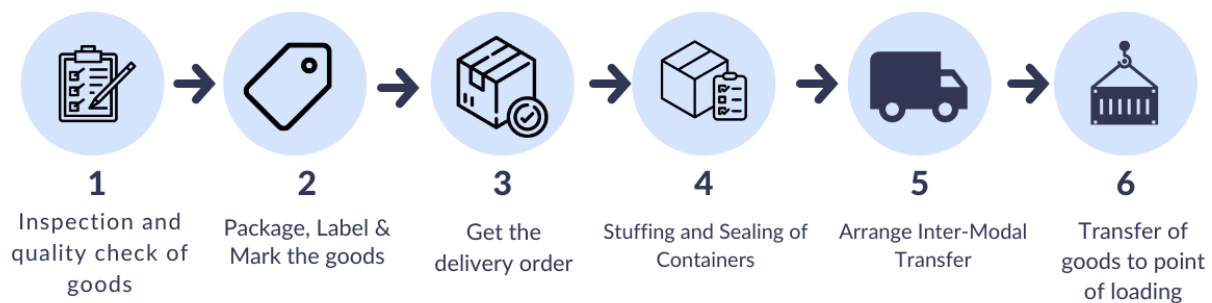
Disadvantages of Exports in India

1. **High Compliance and Documentation Costs:** Complex export procedures, frequent policy changes, and regulatory burdens increase operational costs for exporters.
2. **Poor Infrastructure:** Inefficient ports, poor transportation networks, and inadequate storage facilities lead to delays and higher logistics costs.
3. **High Export Costs:** India's logistics and operational costs are high compared to other exporting nations, making Indian products less competitive.
4. **Currency Fluctuations:** Frequent changes in exchange rates can affect exporters' profits and require costly hedging to manage risks.
5. **Intense Global Competition:** Indian exporters face stiff competition from countries with lower production costs and higher quality standards.
6. **Limited Access to Finance:** Many exporters, especially SMEs, struggle with limited access to affordable credit, affecting their ability to fund export operations.

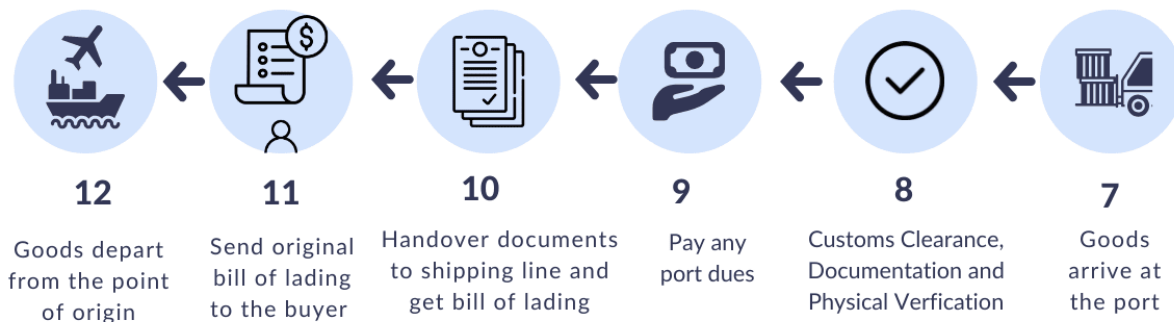
Major Exported Products from India



Export Process Flow Chart



Exports Logistics Process



Types of export duties in India are as follows:

- **Ad Valorem Duty:** This is calculated as a percentage of the value of the goods. For instance, if a 10% ad valorem duty is levied on an item valued at INR 100, the duty payable would be INR 10.
- **Specific Duty:** This is a fixed amount of duty levied on a per-unit basis, regardless of the value of the goods. For example, if a specific duty of INR 20 is levied on each unit of a product, then for 10 units, the duty payable would be INR 200.
- **Compound Duty:** This is a combination of ad valorem and specific duties. It has components of both value and quantity. For instance, a compound duty might entail a 5% ad valorem duty plus INR 10 per unit.

1) landmark judgment defining “export”:

Issue: The primary issue was whether the sale of bus bodies by Azad Coach Builders to Tata Engineering and Locomotive Co. Ltd. (TELCO) for mounting on chassis, which were then exported, could be considered as “export” under the Central Sales Tax Act, 1956.

Insights from the Case: The case clarified the definition of “export” under the Central Sales Tax Act, 1956. It established that transactions directly linked to the export process are considered exports. The judgment reinforced the principle that the intention and actual export of goods are crucial in determining whether a sale qualifies as an export.

Link: [State Of Karnataka vs Azad Coach Builders Pvt. Ltd. & Anr on 14 September, 2010 \(indiankanoon.org\)](http://indiankanoon.org)

Issue: The primary issue was whether the sale of goods that were shipped from India to a foreign destination could be considered as “export” under Indian law, and whether such sales were exempt from sales tax.

Insights from the Case: The judgment clarified the definition of “export” in the context of Indian territory. It established that goods must cross the customs frontier of India to be considered as exports. The case reinforced the principle that the intention and actual movement of goods to a foreign destination are crucial in determining whether a sale qualifies as an export.

Page 19 of 76

Case Reference: J.V. Gokal & Co. (P) Ltd. vs. Assistant Collector of Sales Tax (Inspection) and Others (1960 AIR 595)

Link: [J. V. Gokal & Co. \(Private\) Ltd vs The Assistant Collector, Of ... on 25 January, 1960 \(indiankanoon.org\)](#)

3) landmark judgment addressing the need for permission from the ministry before export:

Title: Mandatory Prior Permission for Export of Restricted Goods

Issue: The primary issue was whether the export of certain agricultural products required prior permission from the Ministry of Commerce and Industry, and whether the absence of such permission could lead to the confiscation of goods.

Observation and Judgement: The Supreme Court observed that the export of certain agricultural products was subject to restrictions and required prior permission from the Ministry of Commerce and Industry. The Court held that the absence of such permission rendered the export illegal and justified the confiscation of the goods by customs authorities. The judgment emphasized the importance of adhering to export regulations and obtaining necessary permissions before proceeding with the export.

Insights from the Case: The judgment clarified the requirement for obtaining prior permission from the ministry for exporting certain restricted goods. It reinforced the principle that compliance with export regulations is crucial for legal export activities. The case highlighted the legal consequences of failing to obtain necessary permissions before export.

Case Reference: Union of India vs. Raj Grow Impex LLP” (2021) (CIVIL APPEAL NO(s). 2217-2218 of 2021)

Link: [Union Of India vs M/S Raj Grow Impex Llp on 17 June, 2021 \(indiankanoon.org\)](#)

4) landmark judgement on export of Restricted Goods

Title: High Court's Judgement on Gold Smuggling and Confiscation Penalties

Issue: The case revolved around the smuggling of gold and the subsequent confiscation of the goods by customs authorities at Chennai airport. The respondent was caught attempting to export restricted goods without proper declaration.

Observation and Judgement: The Madras High Court meticulously examined the legal framework under the Customs Act, 1962, which governs the export and import of prohibited goods. The court observed that while the act of smuggling gold is a serious offense, the respondent should be given an opportunity to redeem the seized gold. Consequently, the court ruled that the respondent could reclaim the confiscated gold upon payment of a fine, thereby balancing the enforcement of customs regulations with a measure of leniency.

Insights from the Case: This landmark judgment underscores the stringent measures in place to control the export of restricted goods and the severe

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consequences of non-compliance. It also highlights the judiciary's role in ensuring that penalties are proportionate and that individuals are given a fair chance to rectify their actions. The case serves as a critical reminder of the importance of adhering to customs regulations and the potential repercussions of attempting to bypass them.

Case Reference: Commissioner of Customs (Air) vs. P. Sinnasamy, Madras High Court, August 23, 2016 (C.M.A.No.1631 of 2008)

Link: [Commissioner Of Customs \(Air\) vs P.Sinnasamy on 23 August, 2016 \(indiankanoon.org\)](http://indiankanoon.org)

5) landmark judgement on export of Prohibited Goods

Title: Supreme Court Upholds PPE Export Restrictions During COVID-19 Pandemic

Issue: The case centered on the prohibition of exporting Personal Protective Equipment (PPE) products during the COVID-19 pandemic. The appellant challenged the restrictions imposed by the Union Ministry of Commerce and Industry and the Directorate General of Foreign Trade (DGFT), arguing that these restrictions were detrimental to his business interests.

Observation and Judgement: The Supreme Court of India meticulously examined the legal framework under the Foreign Exchange Management Act (FEMA) and the guidelines issued by the Reserve Bank of India (RBI). The court observed that the prohibition on the export of PPE products was a necessary measure to ensure an adequate domestic supply during the unprecedented health crisis. The court upheld the restrictions, emphasizing the critical need to balance public health requirements with trade regulations. The judgment reinforced the government's authority to impose such restrictions in the interest of national health and safety.

Insights from the Case: This landmark judgment underscores the judiciary's pivotal role in upholding public health measures during emergencies. It highlights the necessity of regulatory interventions to manage critical resources effectively and the legal backing for such measures. The case serves as a precedent for the enforcement of export restrictions during national crises, illustrating the importance of prioritizing public welfare over individual business interests. It also demonstrates the court's support for government actions aimed at safeguarding public health during extraordinary circumstances.

Case Reference: Akshay N Patel vs. Reserve Bank of India & Anr., Supreme Court of India, December 6, 2021. (Civil Appeal No. 6522 of 2021)

Link: [23817_2020_34_1501_31829_Judgement_06-Dec-2021.pdf \(sci.gov.in\)](https://www.sci.gov.in)

6) landmark judgement on defining Merchant export

Title: Supreme Court Clarifies Tax Exemptions on Merchant Exports Under Central Sales Tax Act

Issue: The case involved the classification of transactions as merchant exports and the applicability of tax exemptions under the Central Sales Tax Act, 1956. The primary

issue was whether the transactions in question qualified as exports or inter-state sales.

Observation and Judgement: The Supreme Court examined the nature of the transactions, which involved the sale of goods by the appellant to foreign buyers through intermediaries. The court observed that for a transaction to qualify as an export, it must involve the movement of goods from India to a foreign destination as part of the sale contract. The court ruled that the transactions in question did not qualify as exports since the goods were sold to intermediaries within India before being exported. Consequently, the transactions were classified as inter-state sales, and the appellant was not entitled to the tax exemptions claimed under Section 5(2) of the Central Sales Tax Act, 1956.

Insights from the Case: This judgment provides crucial clarity on the definition of merchant exports and the conditions under which transactions can be classified as exports. It underscores the importance of the direct movement of goods from India to a foreign destination as part of the sale contract. The case serves as a precedent for determining the tax treatment of transactions involving intermediaries and highlights the need for clear documentation and compliance with export regulations.

Case Reference: M/S Vellanki Frame Works vs. The Commercial Tax Officer, Visakhapatnam, Supreme Court of India (CIVIL APPEAL NOs. 1322-1323 of 2019)

Link: [14995_2015_39_1501_25500_Judgement_13-Jan-2021.pdf \(sci.gov.in\)](https://www.sci.gov.in/14995_2015_39_1501_25500_Judgement_13-Jan-2021.pdf)

7) Landmark Judgement on Export of Services

Title: CESTAT Ruling on Export of Services and Service Tax Applicability

Issue:

The case revolved around whether Business Auxiliary Services (BAS) provided by Arcelor India to a foreign recipient (Arcelor France) qualified as export of services under the Service Tax regime. The main question was whether these services were "used outside India," as per the Export of Services Rules, 2005.

Observation and Judgement:

The Larger Bench of CESTAT ruled in favor of Arcelor India, holding that services provided to Arcelor France, located outside India, qualify as export of services. The court observed that the crucial factor was the location of the service recipient (Arcelor France) and the receipt of payment in foreign exchange. The court also noted that the benefit of services accrued outside India, which fulfilled the condition of "used outside India" under the Export of Services Rules.

Insights from the Case:

The judgment clarifies that in determining export of services, the location of the recipient is key, not the place of performance. This decision aligns with the view that service tax is a destination-based consumption tax. The case settles the issue of service tax applicability for cross-border transactions under the service tax regime and

has implications for similar transactions under GST law. However, the issue is still pending final resolution before the Supreme Court.

Case Reference:

Arcelor Mittal Stainless India Private Limited v. CST, Mumbai-II, 2023-VIL-516-CESTAT-MUM-ST

Link: <https://www.lakshmisri.com/insights/articles/export-of-services-settled-yet-unsettled/#>

8) landmark judgment on defining Deemed exports

Title: Classification of Supplies to EOUs as Deemed Exports

Issue: The case involved the classification of goods supplied to Export Oriented Units (EOUs) and whether these supplies qualified as deemed exports under the Central Excise Act.

Observation and Judgement: The Supreme Court examined the nature of the transactions, where goods were supplied to EOUs for further processing and export. The court observed that for supplies to qualify as deemed exports, they must be treated as if they were physically exported out of the country. The court ruled that the supplies made to EOUs, which were ultimately used for manufacturing goods for export, qualified as deemed exports and were eligible for the benefits under the Central Excise Act.

Insights from the Case: This judgment provides crucial clarity on the definition of deemed exports and the conditions under which supplies to EOUs can be classified as such. It underscores the importance of the end-use of the goods and the ultimate export of the finished products. The case serves as a precedent for determining the tax treatment of supplies to EOUs and highlights the need for clear documentation and compliance with export regulations.

Case Reference: Commissioner of Central Excise vs. M/S. Ginni Filaments Ltd., Supreme Court of India (Appeal civil 5830 of 1999)

Link: [Comm.Of Central Excise, Allahabad vs M/S Ginni Filaments Ltd on 17 February, 2005 \(indiankanoon.org\)](#)



Customs Valuation Rules

Customs Valuation (Determination of Value of Export Goods) Rules, 2007

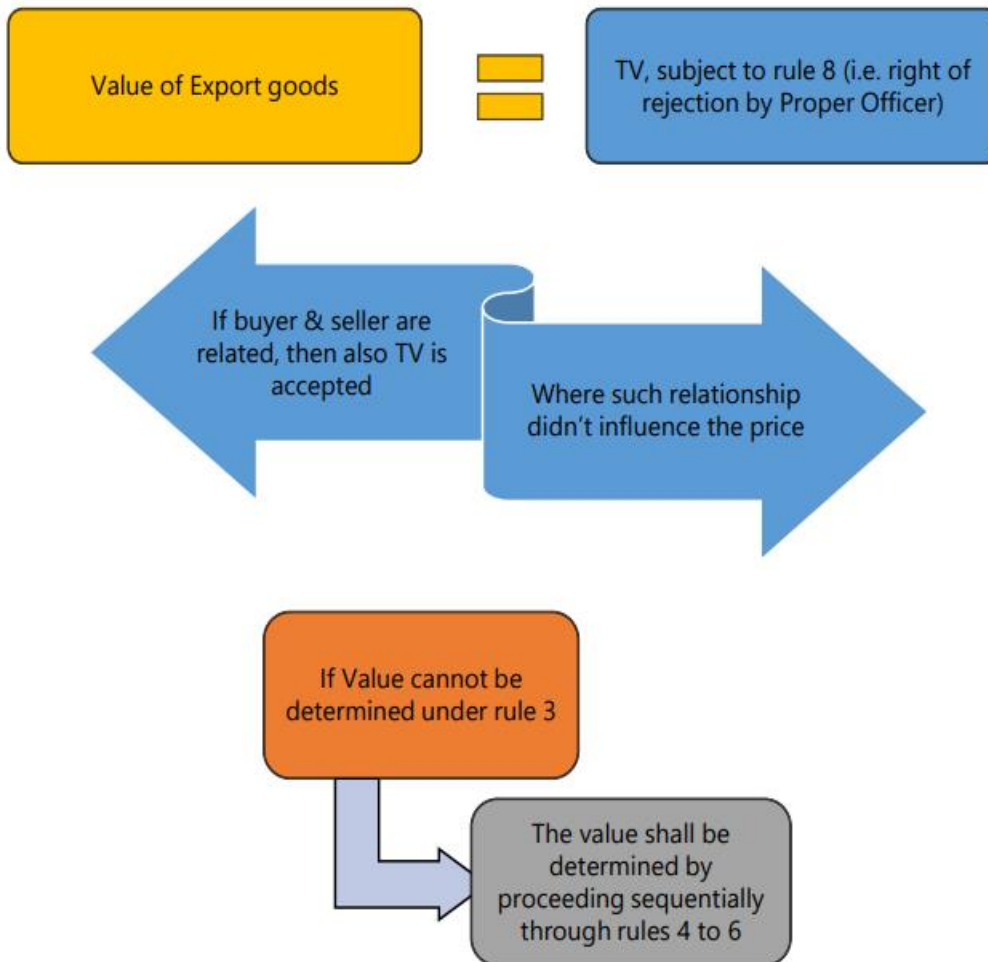
Rule 2 - Definitions

Goods of like kind and quality [Rule 2(1)(a)]:

Export goods which are identical/similar in physical characteristics & reputation as the goods being valued and; Perform the same functions/are commercially interchangeable with the goods being valued, produced by the same person/a different person.

Rule 3	Determination of the method of valuation
Rule 4	Determination of export value by comparison
Rule 5	Computed value method
Rule 6	Residual method
Rule 7	Declaration by the exporter
Rule 8	Rejection of declared value

Rule 3 - Determination of the method of valuation

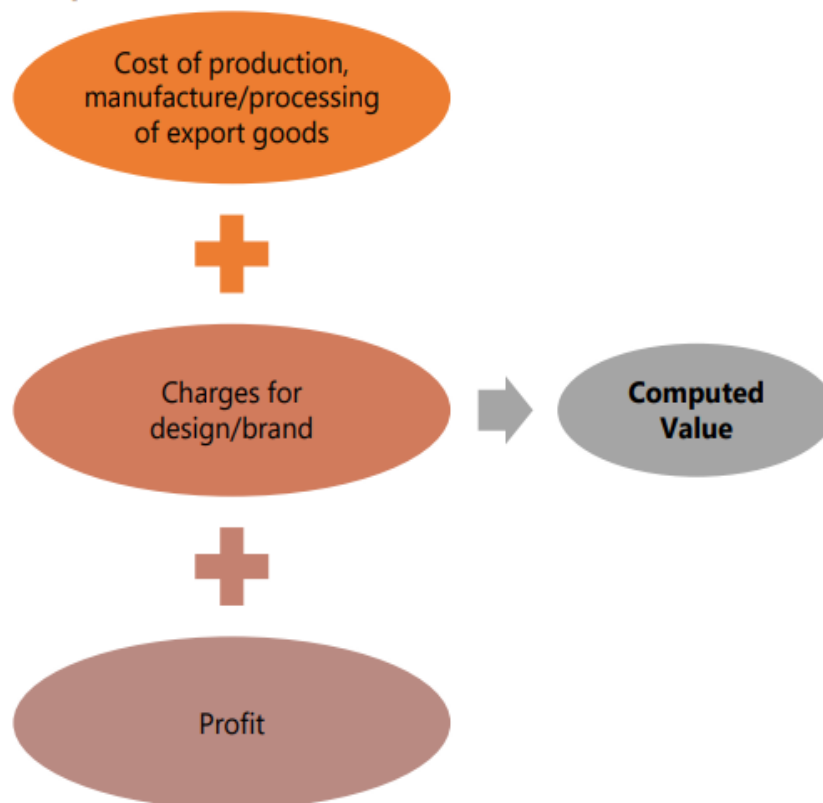


Rule 4 - Determination of export value by comparison

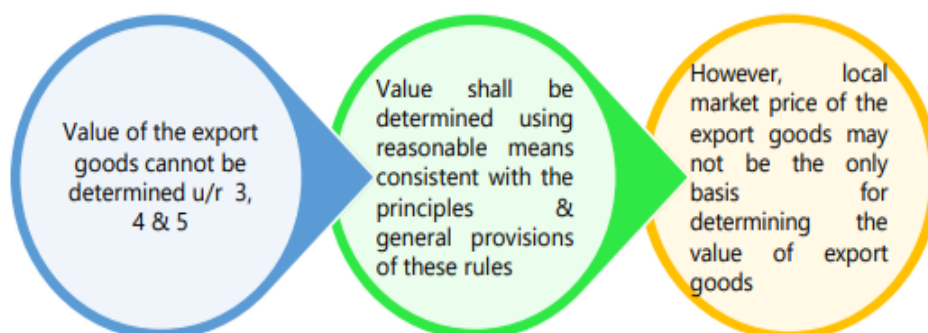
Value = Transaction value of "**goods of like kind and quality**" exported at/about the same time to other buyers in the same destination country of importation/in its absence another destination country of importation adjusted by proper officer considering relevant factors, including -

- (i) difference in the dates of exportation
- (ii) difference in commercial levels & quantity levels
- (iii) difference in composition, quality & design
- (iv) difference in domestic freight & insurance charges

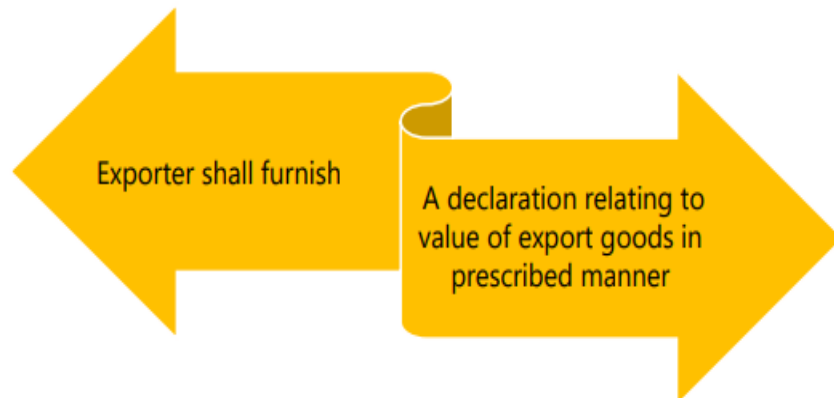
Rule 5 - Computed value method



Rule 6 - Residual method



Rule 7 - Declaration by the exporter



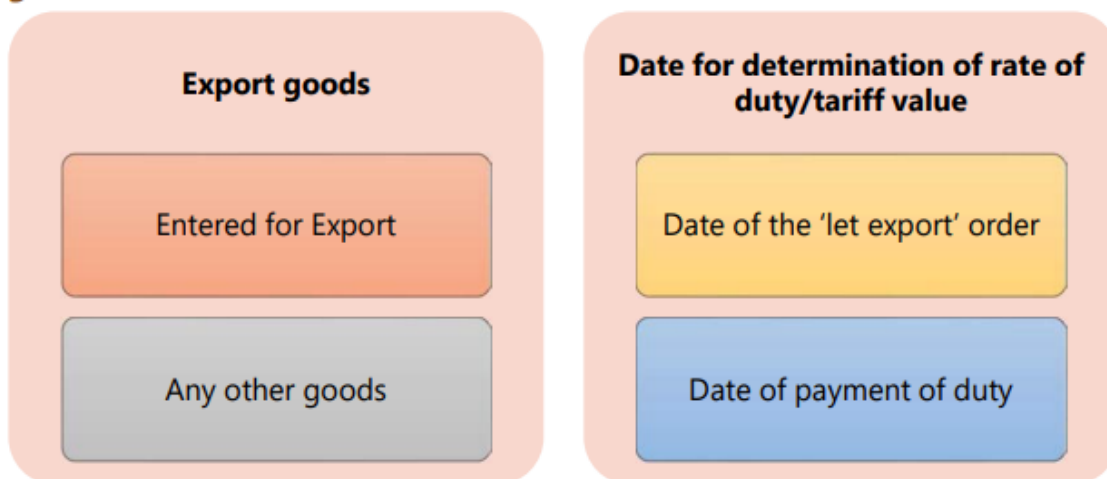
Rule 8 - Rejection of declared value

Proper Officer to reject value of export goods declared by exporter

If he has reason to doubt the truth/accuracy of such value

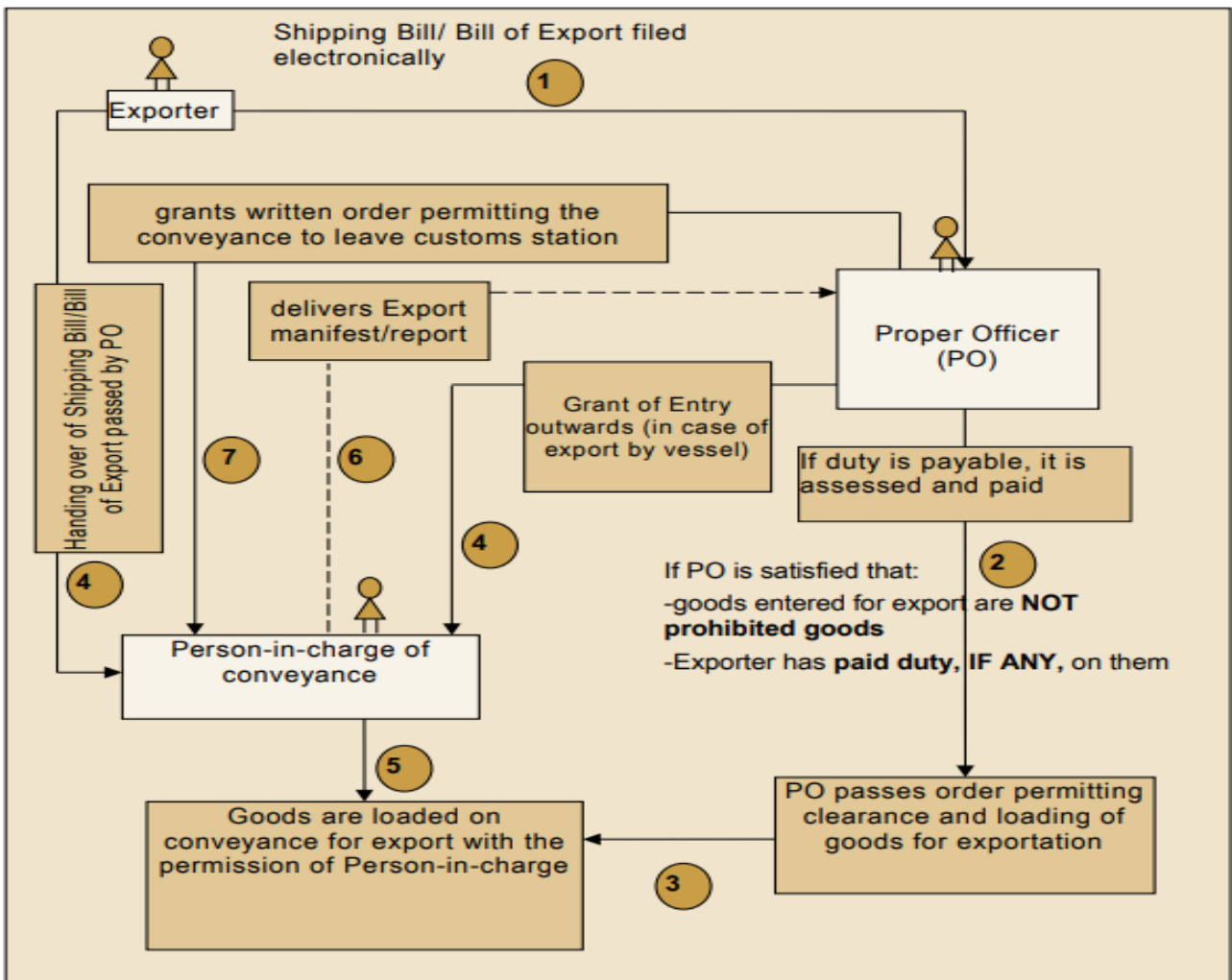
It shall be deemed that the transaction value of such export goods cannot be determined under rule 3(1)

Date for determination of rate of duty & tariff valuation of export goods [Section 16]



Procedure for Export

Summary of Export Procedure:



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:

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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 lodgment 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 issuance 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 cover 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.

Realisation of Export Proceeds: On receiving the documentary bill of exchange, the importer releases payment in case of sight draft or accepts the usance draft undertaking to pay on maturity of the bill of exchange. The exporter's bank receives the payment through importer's bank and is credited to exporter's account.

Letter of Credit: The respective buyer's bank issues the Letter of Credit to confirm the payment to the exporter on the committed date, in case the buyer gets late in paying the bills. It is an essential document which is guaranteed by the bank in order to honour the buyer purchase order.

viii. Customs Procedures:

Obtaining PAN-based Business Identification Number (BIN):

- Before filing a shipping bill for the clearance of export goods, it is mandatory for the exporter to obtain a PAN-based Business Identification Number (BIN) from Customs.
- Exporters must also open a current account in a designated bank where any duty drawback amounts will be credited. This bank account needs to be registered in the Customs system.

Other Details related to Export:

(1) Types of Shipping Bills/Bills of Export:

Different forms of shipping bills or bills of export are required depending on the nature of goods being exported:

- **Duty-Free Goods:** A specific form designated for duty-free exports.
- **Dutiable Goods:** A separate form is used when exporting goods that attract customs duty.
- **Export under Drawback Scheme:** Specific forms are used when claiming duty drawbacks on exported goods

(2) Export Declarations under the EDI System:

- **Electronic Data Interchange (EDI):** Declarations are filed electronically through Customs Service Centers.
- **Checklist Generation:** Upon filing, a checklist is generated for verification by the exporter or Customs House Agent (CHA).
- **Shipping Bill Number:** After verification, data is submitted, and the system generates a Shipping Bill Number, which is then endorsed on the printed checklist and returned to the exporter or CHA.
- **Processing of Shipping Bills:** Most shipping bills are processed automatically based on the exporter's declarations without human intervention.
- **Sampling and Testing:** If samples are required, the Customs Officer will draw two samples from the consignment, enter details in the ICES/E system, and forward them to the designated testing agency.

(3) Amendments to Shipping Bills:

1) Before Let Export Order:

- Amendments are permitted if the goods have not yet been allowed "let export."
- Amendments can be approved by the Assistant Commissioner (Exports).

2) After Let Export Order:

- If the "Let Export" order has been issued, amendments are permitted only by the Additional/Joint Commissioner in charge of the export section.

3) Approval Process:

- After obtaining amendment permission, the Assistant Commissioner/Deputy Commissioner (Export) approves the changes in the system.
- If the shipping bill has already been printed, the exporter must surrender all copies to the Dock Appraiser for cancellation before amendments are processed.

(4) Role of Customs House Agents (CHA):

- Exporters may hire Customs House Agents licensed by the Commissioner of Customs.
- CHAs are professionals who facilitate cargo clearance from Customs, handle documentation, and liaise with various stakeholders.

(5) Mandatory Documentation for Exports from India:



Exporting goods from India requires specific documentation, which varies based on the destination country and the type of product being exported. These documents serve various purposes, including providing details about the product, its destination, and facilitating tax assessments and quality control certifications. Below is a comprehensive list of essential documents needed when exporting from India:

1. Bill of Lading or Airway Bill:

A critical document for export-bound cargos, issued by the carrier. It serves as both a contract and a receipt between the shipper and the carrier. The carrier

acknowledges receipt of the goods from the exporter in good condition and confirms readiness for shipment.

2. Commercial Invoice cum Packing List:

Under recent government guidelines, the Commercial Invoice and Packing List have been merged.

- **Commercial Invoice:** This document is submitted to Customs once the products are ready for export, requiring a customs signature before shipment begins.
- **Packing List:** Required when cargo contains multiple items, detailing each distinct product included in the shipment.

3. Shipping Bill or Bill of Export or Bill of Entry:

A mandatory customs document required for export clearance. Issued by the Indian Customs Electronic Gateway (ICEGATE), it must be filed by the exporter before the goods can be shipped.

4. Proforma Invoice:

A preliminary bill issued when advance payment is requested from the customer. It includes product details, pricing, delivery, and payment terms, serving as an agreement between the buyer and seller.

5. Export Order/Purchase Order:

After issuing a Proforma Invoice, the buyer confirms the order through a Purchase Order (PO), specifying details like cost, currency, shipping, and specific requirements.

6. Certificate of Origin:

This document certifies the country where the goods were manufactured and is often attached to the commercial invoice. It is required for each item in the shipment.

7. Bill of Exchange (BE):

A written order from the exporter instructing the buyer to pay a specified amount. It serves as a notice to the importer about the payment due.

8. Letter of Credit:

Issued by the buyer's bank to assure the exporter of payment on the agreed date, even if the buyer delays payment. It guarantees the financial commitment of the purchase order.

9. Inspection/Quality Check:

Importers may request quality inspections before shipment. This process includes product examination, testing, and verifying packaging standards. A quality inspection certificate is usually required.

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(6) Submission of Export Documents to Banks:

After shipment, it is obligatory to present the export documents to the bank within 21 days for onward dispatch to the foreign bank.

Documents should be drawn under Collection, Purchase, or Negotiation under Letter of Credit (L/C), as applicable.

Required documents include:

- Bill of Exchange
- Letter of Credit (if applicable)
- Commercial Invoice
- Packing List
- Airway Bill/Bill of Lading
- Declaration under Foreign Exchange Regulations
- Certificate of Origin/Generalized System of Preferences (GSP)
- Inspection Certificate and any other required documents per the L/C or buyer's requirements.

(7) Realization of Export Proceeds

- All export contracts and invoices must be denominated in a freely convertible currency or Indian Rupees.
- Export proceeds must be realized in a freely convertible currency except for exports to Iran, where local currency may be allowed.
- Export proceeds should be realized within the stipulated period as per the Foreign Trade Policy.

(8) Self-Sealing of Export Goods

- Exporters opting for self-sealing must notify the jurisdictional Customs Officer at least 15 days before the first consignment is moved from their premises.
- Customs officers inspect the premises to assess the viability of stuffing containers and submit a report to the Deputy Commissioner of Customs.
- Approval is granted by the Principal Commissioner/Commissioner of Customs, allowing self-sealing at the approved premises.
- For each self-sealing operation, the exporter must inform the jurisdictional Superintendent of Customs, providing details of the premises, export goods, and any incentives claimed.

(9) Single Window Interface for Facilitating Trade (SWIFT)

- To streamline the customs process and facilitate trade, the Central Board of Excise & Customs implemented SWIFT.
- SWIFT allows importers and exporters to lodge clearance documents online at a single point, reducing the need to visit multiple agencies.

- It integrates various regulatory agencies, automating permissions and reducing dwell time and costs.

(10) Indian Customs Compliance Information Portal (CIP)

- Launched in 2021, the CIP provides free access to comprehensive information on Customs procedures and compliance for nearly 12,000 Customs Tariff Items.
- Users can search by Customs Tariff Heading (CTH) or product description to find regulatory requirements, including licenses, certificates, and procedures for imports and exports.
- The portal also provides a map showing all Customs seaports, airports, and land customs stations across India, with contact details and links to relevant regulatory agencies.

Exports under GST

Definitions of Goods under GST

Export of Goods:

- Defined under Section 2(5) of the IGST Act, 2017 as the taking of goods out of India to a place outside India.

Under GST, exports of goods are classified as zero-rated supplies. This means:

- **Zero-rated supply:** The tax rate is zero on the supply of goods and services that are exported.
- **Input Tax Credit (ITC) benefits:** Exporters can claim a refund of the GST paid on inputs (raw materials, services, etc.) used in the production of exported goods.

Types of Exports Under GST:

1. **Export with Payment of IGST:** The exporter pays Integrated GST (IGST) on the goods at the time of export and later claims a refund of the IGST paid.
2. **Export without Payment of IGST (under LUT/Bond):** The exporter does not pay IGST but must submit a Letter of Undertaking (LUT) or Bond to the GST authorities. Refunds can then be claimed on the input tax credits used in the export.

Place of Supply of Goods:

Section 10 - Place of supply of goods other than supply of goods imported into, or exported from India.

10(1) - The place of supply of goods, other than supply of goods imported into, or exported from India, shall be as under, –

(a) - where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient;

Example: A distributor in UP procures Glasses from a wholesaler in Gujarat. The terms of the contract require the carrier to be arranged by the supplier and the supply will be complete only if the goods reach the destination safely. Here the movement of goods is made by the supplier, so, location where movement terminates i.e. UP will be the place of supply.

(b) - where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of such person;(also Known as Bill to Ship to Model).

Example: A wholesaler in UP asks a manufacturer in Gujarat to directly deliver papers to retailer in West Bengal. Here there will be 2 supplies that will be deemed to have taken place:

- Gujarat to UP i.e. place of supply is UP
- UP to West Bengal i.e. place of supply is West Bengal.

Example: An agent in Kolkata procures an order from a dealer in New Delhi for delivery to his principal at Mumbai.

- Delhi to Kolkata i.e. Place of supply is Kolkata
- Kolkata to Mumbai i.e. Place of supply is Mumbai.

(c) where the supply does not involve movement of goods, whether by the supplier or the recipient, the place of supply shall be the location of such goods at the time of the delivery to the recipient;

Example: Mr. A of Delhi enters into a contract with Mr. B of Karnataka for sale of goods on ex-work basis where point of delivery is factory of Mr. A. Here the place of supply will be Delhi where movement of goods for delivery terminates. Here supply will be treated at Delhi even subsequently goods moved to Karnataka.

Example: Mr. A of Delhi has taken a machine on rent basis from Mr. B of Haryana. Now, Mr. A is offered to buy the same machine. If Mr. A buys it then place of supply will be Delhi because it does not involve movement of goods.

(d) where the goods are assembled or installed at site, the place of supply shall be the place of such installation or assembly;

Example: A modular furniture in Mumbai sends its personnel to a client based at Kolkata. The furniture is brought in dismantled form to the office at Kolkata and assembled at the client's place. Here the place of supply will be Kolkata.

(e) where the goods are supplied on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, the place of supply shall be the location at which such goods are taken on board.

Example: A flight from Guwahati to Mumbai goes via Kolkata. Some merchandise is served to passengers on a chargeable basis within the flight. The merchandise is taken on board at Kolkata and is served between the journey from Kolkata to Mumbai. The Place of supply will be Kolkata from where the merchandise has been taken on Board.

10(2) - Where the place of supply of goods cannot be determined, the place of supply shall be determined in such manner as may be prescribed.

Section 11 - Place of supply of goods imported into, or exported from India.

The place of supply of goods

- a - Imported into India shall be the location of the importer;
- b - Exported from India shall be the location outside India.

Steps to Export Goods Under GST:

Step 1: Determine the Export Method

- Choose between exporting with payment of IGST or without payment (using LUT/Bond).

Step 2: Registration and Documentation

1. **GST Registration:** Ensure you are registered under GST.
2. **IEC Code:** Obtain an Import Export Code (IEC) from the Directorate General of Foreign Trade (DGFT).
3. **LUT/Bond:** If exporting without payment of IGST, furnish a LUT or execute a Bond with the GST department.

Step 3: Generate and Submit Export Documents

1. **Tax Invoice:** Prepare a tax invoice marked as an export invoice.
2. **Shipping Bill:** File a shipping bill electronically with the customs authority as proof of export.
3. **Export Manifest:** Submit details of goods exported through an export manifest.

Step 4: Filing Returns

- File the appropriate GST returns, such as GSTR-1, where you declare the details of exports.

Documentation Required for Export Under GST:

1. **Export Invoice:** Must include details such as the description of goods, value, GSTIN, and a declaration that it is an export.
2. **Packing List:** Details of the goods packed, including quantity, weight, etc.
3. **Bill of Lading/Airway Bill:** Proof of shipment from the shipping or airline company.
4. **Shipping Bill:** Customs clearance document proving that goods have been exported.
5. **Bank Realization Certificate (BRC)/FIRC:** Proof that payment has been received against the exported goods.
6. **Letter of Undertaking (LUT) or Bond:** To be filed if exporting without payment of IGST.

Letter of undertaking Under GST:

A Letter of Undertaking (LUT) is used while exporting goods. The article explains what a letter of undertaking is and how to file an LUT on the GST portal.

What is LUT and why is it used?

All registered taxpayers who export goods or services to a country outside India or to Special Economic Zones (SEZs) will need to furnish a Letter of Undertaking (LUT) in Form GST RFD-11 on the GST portal, in order to make these exports without the payment of IGST.

When to apply/file an LUT and what was the scenario before GST?

A Letter of Undertaking has to be filed /submitted online before exporting goods/services to a country outside India or to Special Economic Zones (SEZs). Prior to this, exporters had to manually submit the filled-in and signed RFD-11 on a business letterhead in duplicate –

- One to the Jurisdictional Deputy/Assistant Commissioner having jurisdiction over their principal place of business where the verification with the Export documents happens through ICEGATE medium
- Another along with the Export documents to the Customs clearing authority.

Steps to furnish LUT on the GST portal

A Letter of Undertaking (LUT) is used while exporting goods. The article explains what a letter of undertaking is and how to file an LUT on the GST portal.

Steps to furnish LUT on the GST portal:

Step 1: Login to GST Portal.

Step 2: Go to 'SERVICES' Tab > 'User Services' > Select 'Furnish Letter of Undertaking(LUT)'

Step 3: Select the financial year for which Letter of Undertaking is applied for from the 'LUT Applied for Financial Year' drop-down list. Eg: 2021-22

Step 4: Fill up the necessary details on the Letter of Undertaking Form/ GST RFD-11 that appears on the screen The following needs to be done on the form:

(a) Self-Declaration: Tick mark by clicking against each of the three boxes

By doing this, Exporter undertakes the following:

- Export of goods/services will be completed within a period of three months from the date of issue of Export invoice or further period allowed by the Commissioner if any.
- To abide by GST law in respect of exports
- To pay IGST along with Interest* if failed to Export

*Interest must be paid at the rate of 18% per annum for the period from date of issue of export invoice up to date of Payment of IGST.

Letter of Undertaking for export of goods or services without payment of integrated tax
(See rule 96A)

Goods and Services Tax Identification Number - 04AIP50052DLZS

To
The President of India (hereinafter called the "President"), acting through the proper officer

I/We _____ of _____
having Goods & Services Tax Identification Number No. _____ hereinafter called "the
undertaker(s) including my/our respective heirs, executors/ administrators, legal
representatives/successors and assigns by these presents, hereby jointly and severally undertake on
this **12th day of February, 2018** to the President

☐ (a) to export the goods or services supplied without payment of integrated tax within time
specified in sub-rule (1) of rule 96A; *

☐ (b) to observe all the provisions of the Goods and Services Tax Act and rules made thereunder,
in respect of export of goods or services; *

☐ (c) pay the integrated tax, thereon in the event of failure to export the goods or services,
along with an amount equal to eighteen percent interest per annum on the amount of tax not paid,
from the date of invoice till the date of payment. *

I/We declare that this undertaking is given under the orders of the proper officer for the
performance of enacts in which the public are interested.

3. If you're filing LUT, please
read and select all the three
checkboxes for accepting the
conditions prescribed in Letter
of Undertaking

4. Enter the details of two
independent witnesses

(b) Give Independent Witnesses Information: Mention the Name, Occupation and
Address of two independent witnesses in the boxes highlighted in red color
mandatorily.

IN THE WITNESS THEREOF these presents have been signed the day hereinbefore written by the
undertaker(s)

Name, address and occupation of the independent Witnesses

1. Name of Witness *

Enter Name

Occupation

Enter Occupation

Address of Witness *

Building No./ Flat No. *

Enter Building No./ Flat No.

Floor No.

Enter Floor No

Name of the Premises / Building

Premises/Building

Road / Street *

Enter Road / Street

City / Town / Locality / Village *

Enter City/Town/Locality/Villag

State *

Select

District *

Select

PIN Code *

Enter PIN Code

2. Name of Witness *

Enter Name

Occupation

Enter Occupation

Address of Witness *

Building No./ Flat No. *

Enter Building No./ Flat No.

Floor No.

Enter Floor No

Name of the Premises / Building

Premises/Building

Road / Street *

Enter Road / Street

City / Town / Locality / Village *

Enter City/Town/Locality/Villag

State *

Select

District *

Select

PIN Code *

Enter PIN Code

Note that the Witnesses declared in the Letter of Undertaking (LUT) are the ones
declared on the running Bond/ Bank guarantee.

Step 5: Enter the Place of filing > Click on 'SAVE' > click on 'PREVIEW' to verify the correctness of the form before submission Note that currently, the revision of a signed/submitted form is not possible.

Step 6: Sign and file the form using either of the below options:

The Primary authorised signatory/ any other authorised signatory can sign the Letter of Undertaking. Authorised signatory can be the working partner, the Managing Director, the Company Secretary or the proprietor or by a person duly authorised by such working partner or Board of Directors of such company or proprietor to execute the form.

- Submit with DSC
OR
- Submit with EVC:

Note: Companies and LLPs can file only using DSC

A confirmation message appears. GST Portal sends this ARN at registered email and mobile of the taxpayer by e-mail and SMS.

The screenshot shows the 'Acknowledgement' page on the GST Portal. At the top, a green banner states 'Your form has been signed successfully through EVC'. Below this, a teal banner displays 'Application submitted successfully. ARN AA2201180002340'. The main content area is titled 'Acknowledgment for LUT' and lists the following details:

Application Reference Number (ARN)	AA2201180002340
You have filed the application successfully and the particulars of the application are given as under :	
Date of filing	12/02/2018
Time of filing	14.30
Goods and Services Tax Identification Number (GSTIN)	29AAEC0362201ZY
Legal Name	ABC Steel Private Limited
Trade Name (if available)	CSC125 Power Steel
Center Jurisdiction	(GANDHINAGAR), (DIVISION-1 GANDHINAGAR), (RANGE-II)
State Jurisdiction	GANDHINAGAR-II
Filed By	ABC Steel Private Limited

Below the table, it states: 'Acknowledgement for filing of LUT will be transmitted to the concerned tax authority online.' and 'It is a system generated acknowledgement and does not require any signature.' A red 'DOWNLOAD' button is located at the bottom right of the form area.

You can click on the DOWNLOAD button to download the acknowledgement. You may also check out the Letter of Undertakings previously furnished on the GST portal.

On the home page, Go to 'SERVICES' > 'User Services' > 'View my Submitted LUTs' > Select period > Check out the list of LUTs furnished during the selected period > Click 'VIEW' against the particular Letter of Undertaking to view the detail.

Refund Mechanisms for Exporters:

Exporters can claim refunds under two major categories:

1. Refund of IGST Paid on Exports

- **Procedure:**
 - Pay IGST at the time of export and claim a refund.
 - File a refund application automatically linked with the shipping bill and Export General Manifest (EGM).
- **Processing Time:** Refunds are usually processed within 30 days.

2. Refund of ITC on Inputs (under LUT/Bond)

- **Procedure:**
 - Export under LUT/Bond without payment of IGST.
 - File Form GST RFD-01 online for a refund of ITC.
- **Documentation:**
 - Invoice, LUT/Bond, Shipping Bill, Bank Realization Certificate, and Export General Manifest.

Key Forms for Export Refunds:

1. **Form GST RFD-01:** Application for refund of GST paid on exports.
2. **Form GSTR-1:** Monthly return detailing all outward supplies, including exports.
3. **Form GSTR-3B:** Monthly summary return where the liability is discharged.

❖ Time Limits and Deadlines

- Refund applications must be filed within two years from the date of the shipping bill or receipt of payment, whichever is later.

Benefits of Exporting Under GST:

1. **No Tax on Exports:** Goods are not taxed, enhancing competitiveness.
2. **Refund of Input Taxes:** Exporters can recover taxes paid on inputs.
3. **Improved Cash Flow:** Refund mechanisms help maintain liquidity.

Common Challenges and Solutions:

1. **Delay in Refunds:** Refund processing can be delayed due to errors or incomplete documentation. To avoid this, ensure all details are accurate and all required documents are uploaded correctly.
2. **Compliance Issues:** Ensure all GST returns are filed timely and accurately to avoid complications in refund processing.

Vineet Suman Darda (Co-Founder and Managing Partner of Darda Advisors LLP)
www.dardaadvisors.com

3. **Errors in LUT/Bond Submission:** Properly execute and file LUT/Bond to avoid delays in exports without payment of IGST.

Export of services

The export of services under the Goods and Services Tax (GST) regime in India is treated as a crucial part of the economy, designed to promote India's global trade presence by making exported services zero-rated. This means that exporters of services are not required to charge GST on their export transactions and can also claim refunds on the taxes paid on inputs.

Definition of Export of Services under GST:

According to Section 2(6) of the Integrated Goods and Services Tax (IGST) Act, 2017, the supply of services is considered an export if it meets the following conditions:

1. The supplier of the service is located in India.
2. The recipient of the service is located outside India.
3. The place of supply of the service is outside India.
4. The payment for such service has been received in convertible foreign exchange or in Indian rupees wherever permitted by RBI.
5. The supplier and the recipient are not merely establishments of a distinct person. (For example, branches or offices of the same entity in different countries are not considered separate for this purpose.)

GST Treatment of Export of Services:

1. Zero-Rated Supply:

- Exports of services are considered zero-rated supplies under GST. This means that the supply is taxed at 0%, and exporters can claim refunds on any input taxes paid.

2. Options for Exporters:

- **Export with Payment of IGST:** Exporters can pay IGST on the service export and claim a refund of the IGST paid.
- **Export without Payment of IGST under LUT/Bond:** Exporters can export without charging IGST by furnishing a Letter of Undertaking (LUT) or a Bond and claim a refund of the input tax credit (ITC) used in providing the exported service.



Place of Supply of Services

Section 12 of the Goods and Services Tax (GST) Act determines the place of supply of services where both the supplier and recipient are located within India. The provisions are categorized based on the nature of the service provided.

1. General Rule

- Registered Person: Location of the recipient.
- Unregistered Person:
 - If address is available: Location of recipient.
 - If address is not available: Location of supplier.

2. Services Related to Immovable Property (Sub-section 3)

- Location of the property or intended location.
- If outside India, the location of the recipient.

3. Restaurant, Catering, Personal Grooming, Fitness, and Health Services (Sub-section 4)

- Place where services are actually performed.

4. Training and Performance Appraisal (Sub-section 5)

- Registered Person: Location of the recipient.
- Unregistered Person: Place where services are performed.

5. Admission and Organization of Events (Sub-section 6 & 7)

- Admission to Events: Location where the event is held.
- Organization of Events:
 - Registered Person: Location of the recipient.
 - Unregistered Person: Place where the event is held.
 - If outside India: Location of the recipient.

6. Transportation Services (Sub-section 8 & 9)

- Goods Transportation:
 - Registered Person: Location of the recipient.
 - Unregistered Person: Place where goods are handed over.
- Passenger Transportation:
 - Registered Person: Location of the recipient.
 - Unregistered Person: Place of embarkation.

7. Services on Board Conveyance (Sub-section 10)

- First scheduled point of departure of the conveyance.

8. Telecommunication Services (Sub-section 11)

- Fixed Line/Cable: Location of installation.
- Mobile/Post-Paid: Billing address of the recipient.
- Pre-paid: Location where pre-payment is made or address of the selling agent.
- Other Cases: Address of the recipient or location of the supplier if the address is unavailable.

9. Banking and Financial Services (Sub-section 12)

- Location of the recipient as per supplier's records. If unavailable, location of the supplier.

10. Insurance Services (Sub-section 13)

- Registered Person: Location of the recipient.
- Unregistered Person: Address of the recipient as per supplier's records.

11. Advertisement Services to Government (Sub-section 14)

- Place of supply is each State/Union Territory where services are disseminated, as determined by the contract or agreement.

Section 13: Place of Supply of Services Where Location of Supplier or Location of Recipient is Outside India

1. Sub-Section (2): General Provisions

- Applicable to determine the place of supply of services when either the location of the supplier or the recipient is outside India.

2. Sub-Section (3): Default Rule

- General Rule: The place of supply is the location of the recipient of services.
- Exception: If the recipient's location is not available, the place of supply is the location of the supplier.
- Specific Services: The place of supply shall be where the services are actually performed:

❖ Services in respect of goods:

- Goods must be physically available to the supplier or a person acting on behalf of the supplier.
- Remote Services: If provided remotely via electronic means, the place of supply is where the goods are situated at the time of supply.
- Exemption: Not applicable to goods temporarily imported into India for repairs/treatment and subsequently exported without use other than that required for such repairs/treatment.

❖ **Services to an individual:**

- Services requiring the physical presence of the recipient or a person acting on their behalf with the supplier.

3. Sub-Section (4): Immovable Property Services

- The place of supply for services directly related to immovable property (e.g., services by experts, estate agents, accommodation services, construction coordination, etc.) is where the property is located or intended to be located.

4. Sub-Section (5): Event-Based Services

- The place of supply for services related to admission or organization of cultural, artistic, sporting, scientific, educational, or entertainment events is where the event is actually held.

5. Sub-Section (6): Multiple Locations Including Taxable Territory

- If services covered under sub-sections (3), (4), or (5) are supplied at multiple locations, including one in the taxable territory, the place of supply shall be the location in the taxable territory.

6. Sub-Section (7): Services in Multiple States/Union Territories

- If services covered under sub-sections (3), (4), or (5) are supplied in more than one State/Union Territory, the place of supply shall be deemed to be in each respective State/Union Territory. The value shall be proportionate as per the contract or agreement, or as prescribed in the absence of a contract.

7. Sub-Section (8): Supplier's Location for Certain Services

- ❖ The place of supply is the location of the supplier for the following services:
- ❖ Banking/Financial Services: Supplied by a banking company, financial institution, or non-banking financial company to account holders.
- ❖ Short-term Hiring of Transport: Includes yachts but excludes aircrafts and vessels, for up to one month.
- ❖ Explanation of Terms:
 - "Account": Includes interest-bearing accounts and non-resident accounts.
 - "Banking company": Defined under section 45A of the Reserve Bank of India Act, 1934.
 - "Financial institution": Defined under section 45-I of the Reserve Bank of India Act, 1934.
 - "Non-banking financial company":
 - (i) Principal business of receiving deposits or lending.
 - (ii) As specified by the Reserve Bank of India with government approval.

8. Sub-Section (12): Passenger Transportation Services

- The place of supply is where the passenger embarks on the conveyance for a continuous journey.

9. Sub-Section (13): On-Board Services

- For services provided on board a conveyance during transport, the place of supply is the first scheduled point of departure of the conveyance.

10. Sub-Section (14): Online Information and Database Access Services

- ❖ The place of supply is the location of the recipient of services.
- ❖ **Explanation:** The recipient is deemed to be in the taxable territory if any two of the following conditions are met:
 - Location of address presented is in the taxable territory.
 - Payment card issued in the taxable territory.
 - Billing address is in the taxable territory.
 - IP address used is in the taxable territory.
 - Bank account for payment is maintained in the taxable territory.
 - SIM card country code is of the taxable territory.
 - Location of fixed landline used is in the taxable territory.

11. Sub-Section (15): Power to Notify

- The government can notify any service description or circumstances where the place of supply shall be the place of effective use and enjoyment to prevent double taxation or non-taxation.

Export of Services with Payment of IGST:

1. Export with IGST Payment:

- The exporter pays IGST on the service at the time of export and claims a refund of this tax.
- Filing of a LUT/Bond is not required in this method, but the exporter needs to pay IGST on the outward supply.

2. Refund Process:

- The exporter files the refund application in Form RFD-01A after receiving payment for the exported service and receiving the proof of realization in foreign exchange.
- Supporting documents like the export invoice, FIRC/BRC, and shipping bill (if applicable) must be submitted.

Procedure for Export of Services without Payment of IGST:

1. Filing LUT/Bond:

- **Letter of Undertaking (LUT):** LUT is a document filed by exporters to export without paying IGST. LUT is valid for one financial year and can be filed online through the GST portal.
- **Bond:** A bond must be furnished if an LUT is not possible. This is usually backed by a bank guarantee, particularly in high-value or risky cases.

2. Eligibility for LUT:

- Any registered person can file an LUT if they have not been prosecuted for any offense where the amount exceeds INR 2.5 crore.
- Filing an LUT is usually the preferred option for most exporters as it eliminates the need to pay IGST upfront.

Refund of Input Tax Credit (ITC):

1. Eligibility for ITC Refund:

- Exporters of services can claim a refund of the unutilized ITC accumulated due to zero-rated supplies, provided the services meet the definition of export under GST.

2. Refund Claim Procedure:

- File Form GST RFD-01A on the GST portal.
- Submit required documents, including the LUT/Bond, invoice copies, FIRC (Foreign Inward Remittance Certificate) or BRC (Bank Realization Certificate) as proof of receipt of payment in foreign exchange, and details of input tax paid.
- The refund claim must be filed within two years from the relevant date (typically the date of receipt of payment for services exported).

3. Calculation of Refund:

- **Refund Amount** = (Turnover of zero-rated supply of services × Net ITC) / Adjusted Total Turnover.
- **Net ITC:** Input tax credit availed on inputs and input services during the relevant period.
- **Turnover of zero-rated supply:** Value of services exported.
- **Adjusted Total Turnover:** Includes turnover of all supplies made, excluding exempt supplies.

Important Compliance and Documentation Requirements:

1. Export Invoice:

- Must include details such as the name and address of the service recipient, description of the service, invoice value, and statement declaring it is an export of services under LUT/Bond.

2. Proof of Export:

- FIRC/BRC is used as proof that payment has been received in foreign exchange.

3. GST Returns:

- Export transactions must be reported in Form GSTR-1 and GSTR-3B.
- Zero-rated supply details should be accurately reported to claim refunds.

Key Features of Service Exports:

1. **Intangible Nature:** Unlike goods, services are intangible and do not involve the physical movement of products across borders.
2. **Cross-Border Transactions:** Services can be provided remotely, such as IT and consulting services, or through the movement of individuals, such as tourism and healthcare.
3. **Revenue Generation:** Service exports generate substantial revenue and foreign exchange, playing a key role in India's economic growth.

Major Service Export Sectors in India:

1. Information Technology (IT) and Software Services:

- **Software Development:** India is a leading provider of software development, application management, and IT consulting services.
- **IT-Enabled Services (ITES):** This includes BPO, Knowledge Process Outsourcing (KPO), customer support, and data processing services.

2. Business Process Outsourcing (BPO):

- **Call Centers and Back Office Operations:** India's BPO sector handles customer service, technical support, and back-office functions for global companies.
- **Financial and Accounting Services:** Outsourcing of financial, accounting, and tax preparation services to Indian firms.

3. Financial Services:

- **Banking and Insurance:** Export of financial advisory, insurance, investment management, and banking services.
- **FinTech Solutions:** Providing digital financial services, including payment gateways, online banking, and mobile wallets.

4. **Healthcare and Medical Tourism:**

- **Medical Services:** Offering specialized treatments, surgeries, and medical consultations to international patients.
- **Telemedicine:** Remote healthcare services, including diagnostics and consultations provided via digital platforms.

5. **Education and E-Learning:**

- **Online Courses and Training:** Export of educational content, online courses, and e-learning platforms to global students.
- **Higher Education:** Attracting international students to Indian universities and institutions.

6. **Consultancy Services:**

- **Management and Financial Consulting:** Providing expertise in management, financial advisory, market research, and strategic planning.
- **Engineering and Technical Consultancy:** Specialized engineering, architectural, and project management services.

7. **Travel and Tourism:**

- **Inbound Tourism:** Attracting foreign tourists for leisure, cultural, and business travel.
- **Travel Services:** Export of services related to travel bookings, accommodation, and guided tours.

8. **Creative and Media Services:**

- **Entertainment Industry:** Export of film, animation, visual effects, and other media-related services.
- **Advertising and Digital Marketing:** Providing digital marketing, content creation, and advertising services to global clients.

9. **Legal and Accounting Services:**

- **Legal Process Outsourcing (LPO):** Export of legal research, drafting, and compliance services.
- **Accounting and Auditing:** Outsourced accounting, auditing, and tax services for international companies.

10. **Telecommunication Services:**

- **Call Centers:** Providing customer support, sales, and telecommunication services to international clients.
- **Network and IT Solutions:** Export of telecommunications infrastructure management, software, and IT services.

Benefits of Service Exports:

1. **High Foreign Exchange Earnings:** Service exports contribute significantly to India's foreign exchange reserves, bolstering the economy.
2. **Job Creation:** The service sector is a major employment generator, providing millions of jobs, especially in IT, BPO, and tourism.
3. **Knowledge and Skill Development:** Service exports promote the growth of a skilled workforce in technology, finance, healthcare, and other sectors.
4. **Global Market Access:** Indian service providers gain access to international markets, expanding their business horizons.
5. **Low Resource Dependency:** Service exports require less physical infrastructure and raw materials compared to goods, making them cost-effective.

Challenges in Service Exports:

1. **Regulatory Barriers:** Different regulations, data privacy laws, and licensing requirements in foreign markets can pose challenges.
2. **Data Security and Privacy:** Ensuring data protection and compliance with international data privacy standards is crucial, especially in IT and BPO sectors.
3. **Intense Global Competition:** Indian service providers face stiff competition from other low-cost countries like the Philippines and Vietnam.
4. **Dependence on Foreign Markets:** High dependence on major markets like the US and Europe makes the sector vulnerable to global economic downturns.
5. **Visa and Immigration Policies:** Restrictions on movement, such as visa regulations, can impact sectors like consultancy, IT, and medical tourism.

Regulatory Framework and Support:

1. **SEIS (Service Exports from India Scheme):** SEIS provides duty credit scrips on net foreign exchange earnings to promote export of services.
2. **Export Promotion Councils:** Various councils like the NASSCOM, Services Export Promotion Council (SEPC), and others offer support, market access information, and advocacy.
3. **Government Incentives:** Government schemes and incentives help reduce the cost of exporting services, support market access, and provide training for skill development.

Latest Circulars related to Services under GST:

Clarification on GST for Advertising Services to Foreign Clients

The circular issued by the Central Board of Indirect Taxes and Customs (CBIC) on September 10, 2024, clarifies issues related to advertising services provided by Indian advertising companies to foreign clients, focusing on place of supply and the applicability of export benefits under GST.

Key Clarifications:

1. Advertising Companies as Intermediaries:

- The advertising companies providing comprehensive services to foreign clients (e.g., designing, strategizing, procuring media space) do not qualify as intermediaries under Section 2(13) of the IGST Act. They are involved in the principal supply of services on their own account.
- Therefore, the place of supply for such services is the location of the foreign client (outside India), making the service eligible for export benefits under GST.

2. Recipient of Services:

- The foreign client paying for the services is considered the recipient, not the Indian representatives or the target audience in India. Hence, the recipient is the foreign entity.

3. Performance-Based Services:

- Advertising services provided by Indian agencies do not fall under "performance-based services" as defined in Section 13(3) of the IGST Act because these services do not require physical presence or interaction between the supplier and the recipient.

4. Default Provision for Place of Supply:

- As the services do not fall under other specific provisions of Section 13, the place of supply is determined based on the location of the recipient (foreign client), which qualifies the service as an export.

5. When Advertising Agencies Act as Intermediaries:

- In cases where Indian agencies merely facilitate media space procurement without providing services on their own, they are considered intermediaries, and the place of supply is the location of the advertising agency in India.

Circular No. 230/24/2024-GST dated 10th Sep 2024

Clarification on Place of Supply for Data Hosting Services

The **Circular No. 232/26/2024-GST**, issued by the Ministry of Finance (Department of Revenue), addresses the issue of determining the **place of supply** for **data hosting services** provided by Indian service providers to **cloud computing service providers** located outside India. The circular provides clarifications in response to industry concerns about whether such services qualify for **export of services** under the Integrated Goods and Services Tax Act, 2017 (IGST Act).

Key Points from the Circular:

1. Issue of Determining the Place of Supply:

Clarifications were sought on the place of supply of data hosting services provided by Indian entities to foreign cloud computing service providers, specifically whether the service qualifies as **intermediary services**, involves goods "made available" by the recipient, or is related to immovable property.

2. Clarifications:

1) Intermediary Services (Section 13(8)(b)):

- The data hosting service providers do not act as intermediaries between cloud computing providers and end users. They provide services on a **principal-to-principal basis** to cloud computing service providers and do not facilitate the supply of services between cloud providers and their end users.
- Therefore, data hosting services **cannot be classified as intermediary services** under Section 2(13) of the IGST Act, and their place of supply cannot be determined as per Section 13(8)(b).

2) Goods Made Available by the Recipient (Section 13(3)(a)):

- The infrastructure used by data hosting service providers (premises, hardware, software, etc.) is generally owned and managed by the service provider, not the recipient (cloud computing provider). Hence, the service does not relate to goods made available by the recipient.
- The place of supply, therefore, cannot be determined under Section 13(3)(a), even in cases where some hardware is provided by the recipient.

3) Immovable Property (Section 13(4)):

- The service provided by data hosting service providers involves multiple elements like IT infrastructure, monitoring, network connectivity, etc., and is not directly related to **immovable property**.
- Therefore, the place of supply cannot be determined under Section 13(4).

3. Conclusion on Place of Supply:

- Since the service does not fall under the specific provisions of Sections 13(3) to 13(13), the **default provision** under **Section 13(2)** applies, where the place of supply is the **location of the recipient of the services**.
- If the cloud computing service provider is located outside India, the place of supply will be **outside India**.

4. Export of Services:

The circular concludes that **data hosting services** provided by Indian service providers to foreign cloud computing providers qualify as **export of services**, provided other conditions under Section 2(6) of the IGST Act are met.

This clarification resolves ambiguities and confirms that the place of supply for data hosting services provided to overseas entities is outside India, allowing such services to qualify as exports and potentially benefit from zero-rated GST.

Circular No. 232/26/2024-GST dated 10th Sep 2024

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Circulars issued till date related to refund:

Circular Number	Date	About the Circular
233/27/2024-GST	11-Sep-2024	Clarification regarding regularization of refund of IGST availed in contravention of rule 96(10) of CGST Rules, 2017, in cases where the exporters had imported certain inputs without payment of integrated taxes and compensation cess.
227/21/2024-GST	11-Jul-2024	Processing of refund applications filed by Canteen Stores Department (CSD).
226/20/2024-GST	11-Jul-2024	Mechanism for refund of additional Integrated Tax (IGST) paid on account of upward revision in price of the goods subsequent to export.
197/09/2023-GST	17-Jul-2023	Clarification on refund-related issues: 1) Refund of accumulated input tax credit under Section 54(3) on the basis of that available as per FORM GSTR 2B 2) Requirement of the undertaking in FORM RFD 01 3) Manner of calculation of Adjusted Total Turnover under sub-rule (4) of Rule 89 of CGST Rules consequent to Explanation inserted in sub-rule (4) of Rule 89 4) Clarification in respect of admissibility of refund where an exporter applies for refund subsequent to compliance of the provisions of sub-rule (1) of rule 96A
188/20/2022-GST	27-Dec-2022	Prescribing manner of filing an application for refund by unregistered persons
181/13/2022-GST	10-Nov-2022	Clarification on Refund of Unutilized Input Tax Credit (ITC) Due to Inverted Duty Structure
175/07/2022-GST	06-Jul-2022	Manner of filing refund of unutilized ITC on account of export of electricity.
173/05/2022-GST	06-Jul-2022	Clarification on issue of claiming refund under inverted duty structure where the supplier is supplying goods under some concessional notification.
168/24/2021-GST	30-Dec-2021	Mechanism for filing of refund claim by the taxpayers registered in erstwhile Union Territory of Daman & Diu for period prior to merger with U.T. of Dadra & Nagar Haveli.
166/22/2021-GST	17-Nov-2021	Clarification on Refund of Excess Balance in Electronic Cash Ledger, TDS/TCS, and Deemed Exports under GST
162/18/2021-GST	25-Sep-2021	Clarification in respect of refund of tax specified in section 77(1) of the CGST Act and section 19(1) of the IGST Act
147/03/2021-GST	12-Mar-2021	Clarification on GST Refund Issues: Deemed Exports, Zero-Rated Supplies, Adjusted Turnover, and Filing Relaxations
139/09/2020-GST	10-Jun-2020	Clarification on Refund of Accumulated ITC for Missing Invoices, Imports, ISD Invoices, and RCM Supplies
135/05/2020-GST	31-Mar-2020	Clarifications on GST Refund Issues: Bunching of Refund Claims, Accumulated ITC Due to Rate Change, Refund on Non-Zero Rated Supplies, ITC Invoices in GSTR-2A, and HSN/SAC Code Requirements
125/44/2019-GST	18-Nov-2019	Seeks to clarify the fully electronic refund process through FORM GST RFD-01 and single disbursement.
111/30/2019-GST	03-Oct-2019	Seeks to clarify procedure to claim refund in FORM GST RFD-01 subsequent to favourable order in appeal or any other forum.
110/29/2019-GST	03-Oct-2019	Seeks to clarify the eligibility to file a refund application in FORM GST RFD-01 for a period and category.

Circular Number	Date	About the Circular
106/25/2019-GST	29-Jun-2019	Refund of taxes paid on inward supply of indigenous goods by retail outlets established at departure area of the international airport beyond immigration counters when supplied to outgoing international tourist against foreign exchange - reg.
104/23/2019-GST	28-Jun-2019	Processing of refund applications in FORM GST RFD-01A submitted by taxpayers wrongly mapped on the common portal-reg.
94/13/2019-GST	28-Mar-2019	Clarifications on GST Refund Issues: Reversal of Accumulated ITC, Refund Claims for Inverted Tax Structure, Merchant Exporter Refunds, ITC Re-credit, and Filing Procedures After Deficiency Memo
79/53/2018-GST	31-Dec-2018	Clarification on Refund-Related Issues Under GST: Electronic Submission, Inverted Duty Structure, Compensation Cess, and Input Tax Credit (ITC) Adjustments
70/44/2018-GST	26-Oct-2018	Clarification on GST Refund Issues: Deficiency Memos, Re-credit of Electronic Credit Ledger, EPCG Refunds, and IGST Export Exemptions
63/37/2018-GST	14-Sep-2018	Clarification regarding processing of refund claims filed by UIN entitles
60/34/2018-GST	04-Sep-2018	Processing of refund applications filed by Canteen Stores Department (CSD).
59/33/2018-GST	04-Sep-2018	Clarification on GST Refund Procedures: Invoice Submission, Refund Calculation, Re-credit Process, Deficiency Memos, and Minimum Refund Thresholds
56/30/2018-GST	24-Aug-2018	Clarification on removal of restriction on refund of accumulated Input Tax Credit on fabrics
48/22/2018-GST	14-Jun-2018	Circulars clarifying miscellaneous issues related to SEZ and refund of unutilized ITC for job workers.
45/19/2018-GST	30-May-2018	Clarifications on GST Refund Procedures for Input Service Distributors, Composition Taxpayers, Export of Services, Compensation Cess, Zero-Rated Supplies, and Related Rules
43/17/2018-GST	13-Apr-2018	clarifying the issues arising in refund to UIN.
37/11/2018-GST	15-Mar-2018	Clarifications on exports related refund issues
36/10/2018-GST	13-Mar-2018	Processing of refund application for UIN entities.
1/1/2017 – Compensation Cess	26-Jul-2017	Seeks to provide clarification regarding applicability of section 16 of the IGST Act, 2017, relating to zero rated supply for the purpose of Compensation Cess on exports.
24/24/2017-GST	21-Dec-2017	Manual filing and processing of refund claims on account of inverted duty structure, deemed exports and excess balance in electronic cash ledger.
18/18 /2017-GST	16-Nov-2017	Refund of unutilized input tax credit of GST paid on inputs in respect of exporters of fabrics
17/17/2017 - GST	15-Nov-2017	Manual filing and processing of refund claims in respect of zero-rated supplies.

Advance Rulings

1) Provisions of Section 13(8)(b) and Section 8(2) of IGST Act are legal, valid and constitutional: HC

A petitioner providing services to foreign clients challenged the constitutional validity of Section 13(8)(b) of the IGST Act, which deems the place of supply as India, leading to CGST and SGST charges. A Division Bench of the Bombay High Court had split opinions on the issue. The case was referred to a third judge, who ruled that Section 13(8)(b) and Section 8(2) of the IGST Act are valid and constitutional, but apply only under the IGST Act, not the CGST or State GST Acts. The provisions were upheld by the Chief Justice. (Dharmendra M. Jani v. Union of India [2023])

2) Amendment in Rule 89(4) introducing comparison of tax invoice and shipping bill is not clarificatory in nature: HC

In this case, the petitioner's refund claim for exports was rejected due to a new rule comparing values in tax invoices and shipping bills. The petitioner argued that this amendment to Rule 89(4) of the CGST Rules, 2017 should apply prospectively. The High Court agreed, noting that changes in policy must be made through an amendment under the parent Act, not via circulars. Since Notification No. 14/2022-Central Tax dated 5-7-2022 did not specify retrospective application, the Court ruled that the amendment should apply prospectively and quashed the refund rejection for the period prior to the amendment. (**Tata Steel Ltd. v. Union of India [2023]**)

3) GST Applicable on Back offices of multinationals, and Indian companies offering back-office services to MNC

Such companies are intermediaries must therefore pay 18% GST. The taxpayer was involved in many activities — accounting, liaising activities with supplier, follow up for shipping bill documents, raising payment requests and managing various documentation requirements associated with supply. The AAR held that these activities qualify as intermediary services and would not qualify as export of services and would be charged @18% GST. [**VSERVGLOBAL PRIVATE LIMITED (GST-ARA-03-2018-19/B-59 dated 07.07.2018)**]

4) Applicability of IGST on Prototype Testing Services Conducted in India

In the BEHR HELLA Thermocontrol India Pvt. Ltd. case, the Department contended that services provided by the company should be considered "export of services" under Section 2(6) of the IGST Act, and thus not subject to IGST. They argued that consumption of services occurred outside India, making Section 13(3) inapplicable.

However, the Authority for Advance Rulings (AAR) held that since the service (testing of prototypes) was conducted in India, IGST was applicable, regardless of where the reports were later used. The AAR further noted that the facts of the case differed from

the SGS case, as the goods were supplied by the customer's customer within India, reinforcing that IGST was applicable. **[BEHR HELLA THERMOCONTROL INDIA PVT. LTD. [2018-TIOL-265-AAR-GST]**

5) Classification of Educational Promotion Services as Export

In this case, the assessee promoted foreign university courses to Indian students and received payment in foreign exchange based on student recruitment. The assessee questioned whether these services qualified as "export" under Section 2(6) of the IGST Act, 2017, thus being zero-rated under the CGST/WBGST Act, 2017. The AAR ruled that the assessee acted as a representative of the foreign universities, not as an independent service provider. As a result, Section 13(8)(b) of the IGST Act applied, and the services were not treated as exports. **[GLOBAL REACH EDUCATIONAL SERVICES PVT. LTD. [2018-TIOL-02-AAAR-GST]**

6) Advance Ruling on Export Duty and Transaction Value Calculation

M/s. Shiv Shakti Minechem, an exporter of aluminum ores, sought an advance ruling from the Customs Authority for Advance Rulings (CAAR) in Mumbai. The primary issue was the method of computation of transaction value for export goods and the calculation of export duty. The applicant requested clarification on whether the transaction value should include freight, insurance, and local charges borne by the overseas buyer. The ruling determined that the transaction value should reflect the actual price paid or payable for the goods, excluding additional costs borne by the buyer. **[M/s. Shiv Shakti Minechem (CAAR/CUS/APPL/75/2022)]**

7) Advance Ruling on Tax Exemption for Composite Supply of Health Care Services in Hospitals

The Rajasthan Authority for Advance Rulings (AAR) ruled that the supply of medicines and services provided during the treatment of in-patients at hospitals qualifies as a 'Composite Supply' under GST, with the principal supply being healthcare services. These services are exempt from GST under SAC 999311, as per SI No. 74 of Notification No. 12/2017 dated June 28, 2017. Innovations Mediresearch Pvt Ltd, operating a cancer treatment facility (Asian Cancer Hospital), offers both outpatient and inpatient services, including nursing care and prescribed medicines.

The AAR determined that medicines and other procedures supplied to inpatients are part of a composite supply of healthcare, which is exempt from GST. The ruling referenced earlier clarifications from CBIC and the 25th GST Council Meeting, establishing that hospital room rent and food for inpatients are also part of composite healthcare services and not separately taxable. **[Innovations Mediresearch Pvt Ltd. [TS-233-AAR(RAJ)-2023-GST]**

8) Delhi High Court Upholds Interest Adjustment on IGST Refund

The Delhi High Court upheld the adjustment of interest on the tax liability of Grapes Digital Pvt. Ltd. against its claim for an Integrated Goods and Services Tax (IGST) refund. Grapes Digital, engaged in digital media management, online advertisement services, management of advertisement projects, and other business support services, had exported its services without paying IGST under a Letter of Undertaking (LOU).

The company claimed a refund of unutilized Input Tax Credit (ITC) but was liable for interest due to delayed payment of IGST on input supplies under the Reverse Charge Mechanism (RCM). The court rejected the company's argument that the transactions of imports and exports were revenue-neutral, emphasizing that GST and interest on delayed payments are statutory obligations.

It was noted that interest on delayed payments, even if later refunded, is unavoidable under the law, and the principle of equity does not apply in tax matters. **[Grapes Digital Pvt. Ltd. vs. Pr. Commissioner & Anr. (TS-618-HC(DEL)-2023-GST)]**

Case Studies



1. Topic: Various Definitions of Exports

Case Study: ABC Pvt. Ltd., based in India, is exporting machinery parts to a client in Germany. The company is unsure of which legal definition of "export" applies under different laws and if the supply qualifies as an export transaction.

Question: Which definitions of "export" could apply to ABC Pvt. Ltd.'s transaction under the Customs Act, SEZ Act, and Foreign Trade Act?

2. Topic: Meaning & Scope of Exports

Case Study: XYZ Ltd., a manufacturer, produces more electronic components than needed for the domestic market. The company decides to sell the surplus in the international market.

Question: How does exporting surplus goods help XYZ Ltd. in utilizing resources, and what other benefits might the company gain from exports?

3. Topic: Valuation of Exported Goods

Case Study: LMN Exports Ltd. is shipping high-value textiles overseas. The customs authorities ask for proper valuation of the exported goods, but the company is unsure how to declare the correct value.

Question: Which methods of valuation under the Customs Valuation (Determination of Value of Export Goods) Rules should LMN Exports use to determine the value of their goods?

4. Topic: Export of Services

Case Study: DEF Ltd., an Indian company, provides IT consultancy services to a client in Canada. The services are rendered remotely from India, and the payment is received in foreign exchange.

Question: Does DEF Ltd.'s transaction qualify as an export of services under GST? What are the conditions it needs to meet?

5. Topic: Exports and GST

Case Study: PQR Ltd. exports electronic components to the USA. The company is confused about whether they should pay IGST on exports or not.

Question: What options does PQR Ltd. have for exporting goods under GST, and what are the benefits?

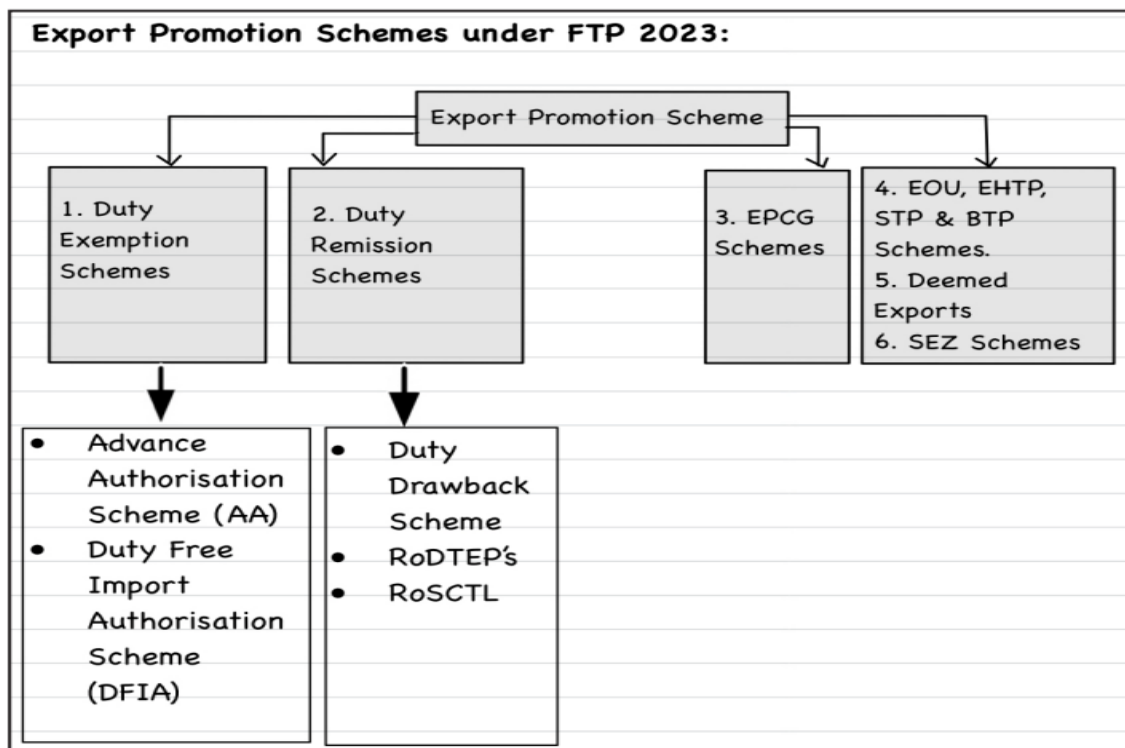
Export Promotion Schemes under Foreign Trade Policy

The Foreign Trade Policy (FTP) 2023 is notified by Central Government, in exercise of powers Conferred' under Section 5 of the Foreign Trade (Development & Regulation) Act, 1992 (No. 22 of 1992) [FT (D&R) Act] as amended.

The Foreign Trade Policy (FTP) 2023 incorporating provisions relating to export and import of goods and services, shall come into force with effect from 1st April, 2023 and shall continue to be in operation unless otherwise specified or amended. All exports and imports made up to 31.3.2023 shall, accordingly, be governed by the relevant FT P, unless otherwise specified.

It means unlike of earlier FTP, there is no end date to the new policy.

Any License/Authorisation/Certificate/Scrip/instrument bestowing financial or fiscal benefit issued before commencement of FTP 2023 shall continue to be valid for the purpose and duration for which it was issued, unless otherwise stipulated.



1) Advance Authorisation (AA) Scheme:

Advance Authorisation is issued to allow duty free import of input, which is physically incorporated in export product (making normal allowance for wastage). In addition, fuel, oil, catalyst which is consumed/utilized in the process of production of export product, may also be allowed.

Eligible Applicant/Export:

- Advance Authorisation can be issued either to a manufacturer exporter or merchant exporter tied to supporting manufacturer.

- Advance Authorisation for pharmaceutical products manufactured through Non-Infringing (NI) process shall be issued to manufacturer exporter only.

Eligible Supply:

Advance Authorisation is issued for procurement of inputs for the following kinds of supply:

- Physical export (including export to SEZ)
- Intermediate supply; and/or
- Deemed exports
- Supply of 'stores' on board of foreign going vessel aircraft, subject to condition that there is specific SION in respect of item supplied.

2) Duty Free Import Authorization (DFIA) Scheme:

Duty Free Import Authorisation is issued to allow duty free import of inputs. In addition, import of oil and catalyst which is consumed/utilized in the process of production of export product, may also be allowed. Import of Tyre under DFIA scheme is not allowed.

Provisions applicable to Advanced Authorisation are broadly applicable in case of DFIA.

However, DFIA shall be issued only for products for which Standard Input and Output Norms (SION) have been notified.

Duties Exempted:

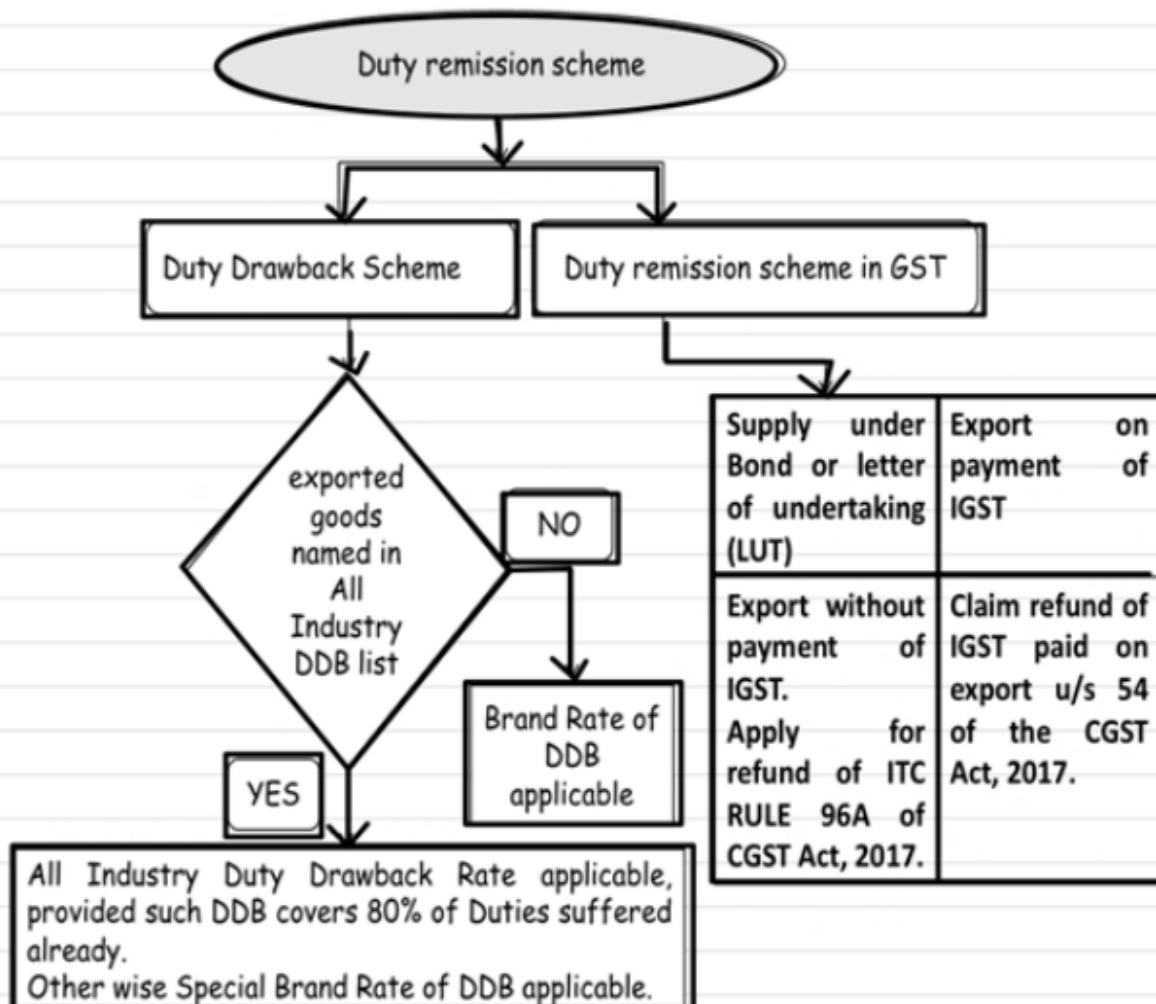
Duty Free Import Authorisation shall be exempted only from payment of Basic Customs Duty (BCD).

Drawback as per rate determined and fixed by Customs authority shall be available for duty paid inputs, whether imported or indigenous, used in the export product.

Eligibility:

- (i) Duty Free Import Authorisation shall be issued on post export basis for products for which Standard Input Output Norms have been notified.
- (ii) Merchant Exporter shall be required to mention name and address of supporting manufacturer of the export product on the export document viz. Shipping Bill/Bill of Export/Tax Invoice for export prescribed under the GST rules.
- (iii) Application is to be filed with concerned Regional Authority before effecting export under Duty Free Import Authorisation.
- (iv) No Duty Free Import Authorisation shall be issued for an input which is subjected to pre-import condition or where SION prescribes 'Actual User' condition or Appendix-4J prescribes pre import condition for such an input.

3) Duty Remission Scheme:



RoDTEP Scheme:

The Remission of Duties or Taxes on Export Products (RoDTEP) Scheme was introduced to neutralize the unrefunded taxes and duties embedded in exported goods, including hidden Central, State, and Local levies that are not covered by other schemes. The RoDTEP scheme was also introduced to replace the Merchandise Exports from India Scheme (MEIS). Accordingly, the items covered under the existing MEIS scheme would be shifted in a phased manner to the new RoDETTP scheme.

RoDTEP Benefits: Being WTO-compliant, the ROD TEP scheme can make available from the government benefits to the exporters seamlessly,

(a) The scheme is more exhaustive in that certain taxes that were not covered under the previous scheme are also included in the list, for example, education cess, state taxes on Oil, power and water.

(b) It will add more competitiveness in the foreign markets, with assured duty benefits by the Indian Government.

(c) It Will also help exporters meet international standards and promote business growth etc.,

RODTEP support:

RODTEP support Will be available to eligible exporters at a notified rate as a percentage of Freight On Board (FOB) value. Rebate on certain export products will also be subject to value cap per unit of the exported product.

However, for the purpose of calculation of duty credit, value of exported shall be least of the following:

(a) FOB value of said goods, or

(b) 1.5 times of the market price of the goods.

4) Export Promotion Capital Goods Scheme:

The objective of the EPCG Scheme is to facilitate import of capital goods for producing quality goods and services and enhance India's manufacturing competitiveness.

Export Promotion Capital Goods Scheme (EPCG) permits exporters to import capital goods (except specified goods) for pre-production, production and post-production at zero customs duty or procure them indigenously without paying duty in the prescribed manner. In return, exporter is under an obligation to fulfill the export obligation.

Applicability of IGST and Compensation cess:

Capital goods imported under EPCG Authorisation for physical exports are also exempt from IGST and Compensation.

In case integrated tax and compensation cess are paid in cash on imports under EPCG, incidence of the said integrated tax and compensation cess would not be taken for computation of net duty saved provided, input tax credit is not availed.

Actual User Condition:

Imported capital goods shall be subject to Actual User condition till export obligation is completed and Export Obligation Discharge Certificate (EODC) is granted.

Validity:

Authorisation shall be valid for import for 24 months from the date of issue of Authorisation. Revalidation of EPCG Authorisation shall not be permitted.

5) EOU, EHTP, STP & BTP Schemes:

EOU scheme is administered by Ministry of Commerce and Industry, while EHTP, STP & BTP schemes are administered by their respective administrative ministries. STP/EHTP Scheme is administered by Ministry of Information Technology. Bio Technology Park (BTP) is established on the recommendation of Department of Biotechnology.

Trading units are not covered under these schemes.

Only projects having a minimum investment of ₹1 crore in plant & machinery shall be considered for establishment as EOUs. However, Board of Approvals (BOA) may allow establishment of EOUs with a lower investment criterion also. Approval for setting up

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of units under EOU scheme shall be granted by the Units Approval Committee within 15 days as per prescribed criteria. In other cases, approval may be granted by Board of Approval (BOA) set up for this purpose.

On approval, concerned authority will issue a Letter of Permission (LoP)/Letter of Intent (LoI) which will have initial validity of 2 years (extendable by 2 years and further extension, if necessary, by BOA), by which time unit should have commenced production.

Other Entitlements:

- Exemption from industrial licensing for manufacture of items reserved for micro and small enterprises.
- Export proceeds Will be realized within 9 months. Units Will be allowed to retain of its export earnings in the EEFC (Exchange Earners' Foreign Currency) account.
- Unit Will not be required to furnish bank guarantee at the time of import or going for job work in DTA subject to fulfilment of specified conditions. 100% FDI investment permitted through automatic route similar to SEZ units.

6) Other Schemes:

- **Interest Equalization Scheme:** Offers interest subsidies on export financing.
- **Towns of Export Excellence:** Supports infrastructure development in towns with high export potential.
- **Market Access Initiative:** Assists with export promotion activities, including trade fairs and market research.
- **Transport and Marketing Assistance:** Supports the export of agricultural products by subsidizing transport costs.

Organizations associated with export promotion:

There are various government organizations which help the exporters in various aspects of export:

1) The Director General of Foreign Trade (DGFT):

The Director General of Foreign Trade (DGFT) advises Central Government in formulating policy and exercise specified powers under the Foreign Trade (Development and Regulation) Act, 1992. DGFT issues public notices, policy circulars, notifications or decisions from time to time.

DGFT issues authorisation for import/export. It also grants Importer Exporter Code (IEC) Number to importers and Exporter. Import and Export without IEC number is not permitted, unless specifically exempted.

The decision of DGFT shall be final and binding on all matters relating to interpretation of Policy, or provision in Handbook of Procedures, Appendices and Aayat Niryat Forms or classification of any item for import/export in the ITC (HS).

2. EXPORT PROMOTION COUNCILS:

The Export Promotion Councils (EPCs) are organisations of exporters, registered as non-profit organizations under the Companies Act/ Societies Registration Act. Roles and functions of these Councils are guided by the Foreign Trade Policy 2023, which also recognizes them as registering authorities for exporters.

Export Promotion Councils:

- Agriculture and Processed Food Products Export Development Authority (APEDA)
- Apparel Export Promotion Council (AEPC)
- Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council (CHEMEXCIL)
- Carpet Export Promotion Council
- Cashew Export Promotion Council of India (CEPC)
- Coffee Board of India
- Cotton Textile Export Promotion Council (TEXPROCIL)
- Council for Leather Exports (India CLE)
- Electronics and Computer Software Export Promotion Council (ESC India)
- EEPC India
- Export Promotion Council for Handicrafts (EPCH)
- Gem and Jewellery Export Promotion Council (GJEPC)
- Handloom Export Promotion Council (HEPC)
- Indian Silk Export Promotion Council (ISEPC)
- Pharmaceutical Export Promotion Council (Pharmexcil)
- Plastics Export Promotion Council (PLEXCONCIL)
- Powerloom Development & Export Promotion Council (PDEXCIL)
- Shellac and Forest Products Export Promotion Council (SEPC)
- Spices Board of India
- Sports Goods Export Promotion Council (SGEPC)
- Synthetic and Rayon Textiles Export Promotion Council (SRTEPC)
- Tea Board of India
- Tobacco Board
- Wool & Woollens Export Promotion Council (WWEPC).

Export Promotion Councils (EPCs) conduct workshops throughout the year to help exporters with documentation, commercial terms, business planning, and financial understanding. These workshops provide solutions and advice, and exporters can also seek one-on-one financial guidance from EPCs.

MCQ-Type Questions

Defintions:

1) Goods and services coming to SEZ units from domestic tariff area are treated as

- (A) Deemed Exports
- (B) exports from India
- (C) import into India
- (D) both (A) and (B)

Answer:

2) Mandatory documents required for export of goods from India are

- (A) Shipping Bill/Bill of Export
- (B) Bill of entry
- (C) Either (A) or (B)
- (D) Both (A) & (B)

Answer:

3) What does "HSN" stand for in the context of GST?

- A) Harmonized Service Nomenclature
- B) Harmonized System of Nomenclature
- C) High Standardized Nomenclature
- D) Harmonized Standards in Networking

Answer:

4) A Merchant Exporter in India is primarily involved in which of the following activities?

- A) Manufacturing goods
- B) Exporting goods manufactured by others
- C) Offering consultancy services
- D) Importing goods for re-export

Answer:

5) What is the key difference between deemed exports and traditional exports?

- A) Deemed exports involve goods leaving the country
- B) Deemed exports are domestic transactions without physical export
- C) Traditional exports are subject to local taxes
- D) Deemed exports do not require documentation

Answer:

6) Export Oriented Units (EOUs) are primarily focused on:

- A) Domestic sales
- B) Importing foreign products

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- C) Exporting their entire production
- D) Manufacturing for local markets

Answer:

7) The term "deemed exports" applies when:

- A) Goods are exported to a foreign country
- B) Goods are supplied within India for export activities
- C) Goods are sent to free trade zones
- D) Goods are exported and then re-imported

Answer:

8) What is a "Shipping Bill" used for?

- A) To declare goods for domestic sale
- B) To claim a refund on input taxes
- C) For customs clearance during exports
- D) To finalize a proforma invoice

Answer:

Exports under GST:

9) The export process under GST allows exporters to:

- A) Pay GST on all exports
- B) Claim a refund on input taxes
- C) Exempt from all taxes
- D) Pay only central GST

Answer:

10) In the GST regime, what does "LUT" stand for?

- A) Letter of Undertaking
- B) Letter of Understanding Tax
- C) Local Utility Tax
- D) Letter of Unified Transactions

Answer:

11) What is the main benefit of exporting under GST?

- A) Increased tax on inputs
- B) No tax on exports
- C) Higher customs duty
- D) Exemption from all taxes

Answer:

Valuation of Exports:

12) Which term describes goods that cross international borders to be sold in foreign markets?

- A) Import
- B) Export
- C) Deemed export
- D) Bonded export

Answer:

13) Under the Customs Valuation (Determination of Value of Export Goods) Rules, which method is primarily used for the valuation of export goods?

- A) Computed value method
- B) Residual method
- C) Comparative method
- D) Declaration by the exporter

Answer:

14) What does the term "Goods of like kind and quality" refer to in export valuation?

- A) Goods that perform similar functions and are commercially interchangeable
- B) Goods that are of the same price but different quality
- C) Goods that are not commercially interchangeable
- D) Goods of different categories but similar functions

Answer

15) What must an exporter provide under Rule 7 of the Customs Valuation Rules?

- A) A declaration of the value of the exported goods
- B) A list of suppliers
- C) A valuation based on market analysis
- D) A calculated residual value

Answer:

Export Promotion Schemes under Foreign Trade Policy:

16) Which scheme was introduced to neutralize unrefunded taxes embedded in exported goods?

- A) RoDTEP Scheme
- B) EPCG Scheme
- C) Advance Authorization Scheme
- D) Duty Drawback Scheme

Answer:

17) The main objective of the "Advance Authorization" scheme is:

- A) To increase the GST rate
- B) To allow duty-free import of inputs
- C) To increase the export duty
- D) To restrict the sale of imported goods

Answer:

18) What is the primary purpose of the Export Promotion Capital Goods (EPCG) scheme?

- A) To allow duty-free import of capital goods
- B) To increase import duties
- C) To promote service exports
- D) To reduce domestic production

Answer:

19) Under the Foreign Trade Policy, what are EOUs (Export Oriented Units)?

- A) Units that import goods from foreign countries
- B) Units that export their entire production
- C) Units that engage in intermediary services
- D) Units exempt from all taxation

Answer:

20) Which of the following schemes allows zero-duty import of capital goods for export production?

- A) Advance Authorization Scheme
- B) RoDTEP Scheme
- C) EPCG Scheme
- D) MEIS Scheme

Answer:

21) Under the Advance Authorization Scheme (AAS), exporters are allowed to:

- A) Import goods at reduced duties
- B) Export goods without obtaining licenses
- C) Import inputs duty-free for use in export products
- D) Pay lower taxes on domestic sales

Answer:

22) The Duty Drawback Scheme provides:

- A) Refunds on domestic taxes
- B) Rebates on export duties
- C) Refunds on duties paid on imported inputs used in exported goods
- D) Subsidies for transport costs

Answer:

23) In the "Bill to Ship to" model, where the goods are delivered on the direction of a third person, what is considered the place of supply?

- A. Location of the third person
- B. Location where the goods are shipped
- C. Location of the supplier
- D. Principal place of business of the third person

Answer: 24) When goods are imported into India, what is considered the place of supply?

- A. The location of the supplier
- B. The location of the recipient
- C. The location of the importer
- D. The port of entry in India

Answer: 25) In a scenario where goods are assembled at a client's place in Kolkata, but the goods were shipped from Mumbai, what is the place of supply?

- A. Mumbai
- B. Kolkata
- C. Delhi
- D. Gujarat

Answer:

26) Under the general rule for determining the place of supply of services for a registered person, where is the place of supply?

- A. Location of the supplier
- B. Location of the recipient
- C. Location of the event
- D. Place where services are performed

Answer:

27) For services related to immovable property, where is the place of supply if the property is located within India?

- A. Location of the supplier
- B. Location of the recipient
- C. Location of the immovable property
- D. Location of the contract agreement

Answer:

28) Under the default rule in Section 13, where is the place of supply of services when either the supplier or recipient is located outside India?

- A. Location of the supplier
- B. Location of the recipient
- C. Place where the service is performed

D. Location of the contract agreement

Answer:

29) For services related to goods physically available to the supplier, where is the place of supply?

- A. Location of the recipient
- B. Location of the supplier
- C. Place where the service is performed
- D. Location where the goods are shipped

Answer:

30) What is the place of supply for services that involve multiple locations in different States or Union Territories?

- A. It is the location where the service begins
- B. It is each State/Union Territory, proportionate as per the contract
- C. It is the supplier's main office location
- D. It is the location of the recipient

Answer:

Answers

Case Study Answers:

1) Customs Act, 1962: Under Section 2(18), "Export" means taking goods out of India to a place outside India. In this case, ABC Pvt. Ltd. is exporting machinery to Germany, which falls under this definition.

SEZ Act, 2005: If ABC Pvt. Ltd. were operating from a Special Economic Zone, "Export" would also include providing services or goods from the SEZ to a foreign country.

Foreign Trade (Development & Regulation) Act, 1992: Export in relation to goods means taking out of India by any means (land, sea, air). Since ABC is physically shipping goods to Germany, it qualifies as an export.

2) By exporting surplus production, XYZ Ltd. can optimize the use of its domestic resources, which might otherwise go unused. Exporting surplus helps the company earn foreign exchange, provides employment opportunities, and contributes to national income. Additionally, engaging in exports can encourage the company to adopt new technologies and improve product quality to meet global standards.

3) LMN Exports should begin by using the **Comparative Method** (Rule 4), which determines the value by comparing it with similar goods exported under comparable conditions. If this is not feasible, they can use the **Computed Value Method** (Rule 5), which calculates the cost of production and other associated costs. As a last resort, the **Residual Method** (Rule 6) can be applied if other methods do not work.

4) Yes, DEF Ltd.'s transaction qualifies as an export of services under GST. According to Section 2(6) of the IGST Act, 2017, for a service to be considered an export:

1. The supplier must be located in India (DEF Ltd. is in India).
2. The recipient must be located outside India (the client is in Canada).
3. The place of supply must be outside India.
4. The payment must be received in convertible foreign exchange (DEF Ltd. receives foreign currency).
5. The supplier and recipient must not be merely establishments of the same entity

5) PQR Ltd. has two options for exporting under GST:

1. **Export with Payment of IGST:** PQR Ltd. can pay IGST on their exports and later claim a refund of the IGST paid. This ensures tax compliance and allows input tax credit recovery.
2. **Export without Payment of IGST (under LUT/Bond):** PQR Ltd. can export goods without paying IGST by filing a Letter of Undertaking (LUT) or a bond

with the GST department. They can then claim a refund on input taxes used in producing the exported goods.

Both options provide **zero-rated supply** benefits, meaning no tax is levied on exports. This enhances the company's cash flow by allowing them to recover input taxes

Answers of MCQ's:

- 1) B
- 2) A
- 3) B
- 4) B
- 5) B
- 6) C
- 7) B
- 8) C
- 9) B
- 10) A
- 11) B
- 12) B
- 13) C
- 14) A
- 15) A
- 16) A
- 17) B
- 18) A
- 19) B
- 20) C
- 21) C
- 22) C
- 23) D
- 24) C
- 25) B
- 26) B
- 27) C
- 28) B
- 29) C
- 30) B



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