



Tax alert: Pilot Launch for procedure to be followed by E-Commerce Export Hubs (ECEH)

26 August 2024

The Directorate General of Foreign Trade (DGFT) has notified the draft modalities for launch and operation of E-Commerce Export Hubs (ECEH). Detailed proposals for setting up of ECEH are invited, which shall be examined, and necessary support shall be provided.

In a nutshell



Foreign Trade Policy (FTP) (2023) has been aimed at process re-engineering and automation to facilitate ease of doing business for exporters. It provides a framework for cross-border trade of goods and services from India in the digital economy and the promotion of e-Commerce.



Section B of Chapter 9 of the FTP provides for establishment of designated areas as E-Commerce Export Hubs (hereafter called "ECEH"), which would act as a center for favorable business infrastructure and facilities for Cross Border E-Commerce activities.



Now, DGFT has issued a Trade Notice No. 14 /2024-25 dated 22 August 2024, introducing Draft Modalities for Pilot Launch of ECEH.



The draft modalities have provided as a road map of procedures on how the ECEH's would operate in its pilot launch. Thereafter, suitable feedback shall be taken into account and appropriate notifications, circulars shall be issued.



Annexure to the Trade Notice provides for:

- Movement of goods from suppliers' premise to ECEH
- Pre-Scanning of Goods
- Design of ECEH
- Fulfillment process
- Customs Clearance process



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The FTP 2023 took due cognizance of growing international digital trade. It provided a framework for cross-border trade of goods and services from India in the digital economy and the promotion of e-Commerce and other emerging channels of exports from India. It specifically recognizes the ever-growing E-commerce export of goods and the requirement to set up E-commerce export hubs, which would act as a center for favorable business infrastructure and facilities for cross border e-commerce activities.

Now, the DGFT has invited proposals for pilot launch and operation of ECEH. For the same, it has provided draft modalities in terms of procedure to be followed for undertaking exports. Based on the feedback received, suitable notifications, circulars, etc., shall be issued. Proposals, questions, and queries in regard to the same may be submitted via email to ecommerce-dgft@gov.in and afaque.moin@gov.in.

The draft modalities for operation of ECEH are detailed below:

Movement of goods from supplier's premises to ECEH:

- Goods from Goods and service Tax (GST) registered supplier shall be transported under the cover of document as specified under GST law.
- The said document required to be shown to be ECEH at the time of entry into ECEH
- Suitable mechanism to be devised by ECEH to electronically capture the details of the document on system maintained by them

Pre-screening of goods:

- On arrival of goods, pre-screening by the ECEH operator who will be responsible for verifying the goods received i.e. description, classification, EXIM policy compliance, quantity etc. with the GST document
- GST document needs to be validated by the ECEH operator
- Any discrepancy noted needs to be modified in the electronic system
- The validated data of the GST documents then needs to be submitted Customs Systems for reconciliation and risk management purposes during customs clearance of corresponding Shipping Bill

Design of ECEH:

- ECEH shall have two physical components i.e. distinct segregated areas:
 - Fulfilment area for packing, labelling, storing etc. to take place after pre-screening and till a buyer is found,
 - Customs Station where the goods will be customs cleared after the buyer is found, ready for dispatch
- The Customs Station could be an ICT, ICD, AFS or FPO etc. depending upon the mode of logistic.

Fulfilment processes:

- Inputs ECEH will function to achieve agglomeration benefits for E-commerce exporters, e.g. storage, packaging, labelling, certification & testing and other common facilities for the purpose of exports

Process flow for customs clearance once a buyer is found:

- Generation of Commercial Invoice
- Shipping Bill (SB) is filed by the ECEH operator working as an agent for the seller (authorized couriers)
- On the Customs System, the SB would be linked to the pre-screened GST document (as referred above), One SB may be linked to one or more such document fully or partially, line-item wise
- RMS is triggered and assessment takes place on Customs Systems if selected
- Parallely, physical packing takes place under Customs supervision, packaging list generated (Unique QR codes to link SB and packages)

- Packages read, the ECEH to file Cargo ready report (CRR) on ICES for SB
- After CRR filed, packages to be taken to customs stations and to be registered on customs system by gate officer by scanning the QR code
- After registration, requirement of RMS to be checked
- If goods required to be checked under RMS, the same to be carried in the demarcated customs station
- After completion of the above process LEO to be generated by customs officer on the system and goods to be stored in the station till dispatch
- Transshipment request is filed by the ECEH operator and TP permission gets generated
- Goods to be taken to port of shipment under customs seal
- Once goods are exported and EGM is filed, SB to be processed for export claims if any
- GST document as stated above is linked to SB and the SB is linked to EGM, the compliance of GST related provisions can be demonstrated by the seller

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