

Export & Import Transactions – Navigating Compliance Challenges of EDPMS/IDPMS

Foreign Trade & the Compliance Burden

India, at the cusp of being third largest economy, is also amongst the top the top ten importers and exporters worldwide. A concerted effort by the Government and the industry has positioned India as a major global hub of trade. This commitment involves various initiatives such as product promotion, high-quality manufacturing, optimally rated imports, and seamless cross-border movement of goods, etc.

Amidst this pursuit, the burden of ensuring compliances in such foreign trade management often escapes the desired attention. One such obligation is meticulous tracking of realizations and payments against export and import transactions under the RBI's Export Data Processing Monitoring System (EDPMS) and Import Data Processing Monitoring System (IDPMS), respectively.

EDMPS - IDPMS

EDPMS and IDPMS are digital platforms of the RBI that are designed to automatically gather details of exports and imports from the Customs database and marking realization /payment status against each such transaction based on information furnished by exporters or importers. The reconciled entries are closed by the Authorized Dealer (AD) banks, while leaving the balance as open. Hence, an outstanding transaction in EDPMS and IDPMS may imply failure in realization or payment, raising concerns, especially when surpassing the respective due dates of 9 months and 6 months.

Consequences under FEMA

Failure to realize or make payments within the stipulated timelines constitutes a violation under the Foreign Exchange Management Act, 1999 (FEMA). According to Section 13, significant penalties, **up to three times** the amount involved, can be imposed for such breaches. The nodal authority entrusted with ensuring compliance under FEMA is the Enforcement Directorate (ED).

Lately, ED has launched several investigations solely acting upon on information regarding pending values within EDPMS/IDPMS. These notices, which seek to levy exemplary penalty, not only pose financial outgo but also threaten

reputational damage. Hence, it is imperative to address outstanding transactions from the past and optimize current operations to mitigate the risk of facing enforcement actions from the ED.

Practical Pointer for Industry

Based on ELP's extensive experience in managing numerous such cases, we frequently find that delays in finalizing EDPMS/IDPMS entries primarily stem from procedural oversights rather than actual failure to realize or pay.

These include - **(a)** neglecting to regularly provide receipt/payment details to the AD bank **(b)** lack of awareness regarding available exceptions or alternatives available for closure **(c)** omission to seek specific approvals from the RBI or the AD bank **(d)** differences in declared value under Customs documents (Shipping Bill for export and Bill of Entry for Import) as against actual realizable / payable amount for various commercial reasons **(e)** old outstanding entries from distant past that are untraceable **(f)** not approaching alternative bank, if needed for closure, and various other factors.

Priority attention is required on early closure of EDPMS and IDPMS entries, since once an investigation by ED is initiated, the window for seeking specific approvals for closure from the RBI/AD Bank also becomes limited.

We hope you have found this information useful. For any queries/clarifications please write to us at insights@elp-in.com or write to our authors:

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