

Many companies, including some jewellers and diamond houses, served notices by the agency

ED Tells Exporters to Realise Dues; Inflows to Buoy Rupee

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Mumbai: Amid pressure on the central bank to calm the currency and preserve foreign exchange reserves, there is a spurt in notices by the Enforcement Directorate (ED) to many companies, including some jewellers and diamond houses, which either failed to bring in money from overseas buyers or whose imports backed by advance payments were stuck.

Exporters have to realise earnings within nine months from the date of export while importers who made advance payments to overseas suppliers are required to receive the shipment within a year. Delays in realisation and repatriation of export proceeds can slow down the inflow of dollars and add to the pressure on the local currency.

The Directorate has asked the firms and companies to submit a string of information on businesses and key persons as well as old data. For instance, in one such

Currency Moves

 **Exporters** have to realise money in 9 months

Importers paying in advance must receive shipment in 9 months

Companies told to give export/import details since inception

Quicker export realisation will raise \$ inflows

With Covid under control, ED is acting on pending matters



notice sent mid-July, the ED directs the company to submit details of the company, local and offshore bank accounts, identities of directors, and former directors including their nature of association with the company along with residential addresses.

Senior professionals tracking matters under the Foreign Exchange Management Act (FEMA) confirmed the recent surge in notices. "Export and import related compliances have always been

a sensitive issue for the regulators, since pending receivables or payables create a suspicion of possible money laundering. The frequency of such investigations for different sizes of business organisations has certainly increased in the last one month," said Moin Ladha, partner at the law firm Khaitan & Co.

Companies, which received the recent notices, have to share details of all exports and imports since their inception: date of

remittance (from the overseas buyer of the export), name of the remitter (or the identity of the overseas buyer), currency of payment, amount in foreign currency, the equivalent in rupees, date of export, shipping bill number, whether export-related documents were submitted to the bank, and the balance amount in case of partial shipment of export. Similar, granular details have to be furnished for all imports since the company was formed.

"The companies are forced to check their old records as the ED has been issuing notices under FEMA to seek information about past export and import obligations. Probably, it's linked to the state of the currency market and such steps may ensure that foreign exchange from trade is realised on time. But companies have to face the hardship. The information on outstanding receivables and payables are received by RBI from AD (authorised dealer) banks and the central bank in turn shares them with ED," said Mital Chokshi,

partner at Chokshi & Chokshi, a tax and audit advisory firm.

A Mumbai-based chartered accountant said many companies are only submitting details of trades where receivable or payment is due as they are not required under the law to give information of deals where fund transfers and shipments are complete. "It's possible that due to Covid ED could not act on many cases on which it received data from the RBI. Now, these pending cases are being pursued which may have also contributed to the sudden rise in notices," said another person.

As the pandemic had caused significant trade disruptions, the period of realisation of export proceeds was raised from nine months to 15 months for exports shipped till July 31, 2020. "This extended time limit also came to an end last year. Now with Covid cases well under control, it's expected that the government would try to make sure that pending payments from exports are realised," said an industry person.