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Goods & Services Tax

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Implementation of Electronic Cash Ledger for Customs payment

Snapshot

The electronic cash ledger system (ECL) has been introduced for payments required to be made under the Customs law.

The enabling regulations were notified in March 2022, however, were kept in abeyance since the portal was not ready. The said regulations have been made effective; however, certain categories of payments have been granted further exemption.

The payments made through TR-6 challans shall not be covered by ECLR which is soon expected to be migrated to the ECL.

The taxpayers can deposit the money to the ECL and can use the same for making any payment under the Customs law.

The amounts lying in the ECL shall not bear any interest nor such deposit shall be governed under Section 27 of the Customs Act.

The payments to the ECL can be made by generating a challan through internet banking or NEFT / RTGS.

Introduction

The Customs Act was amended in the year 2018 and 2020 by way of insertion Chapter VIIA and sections 51A & 51B therein providing for electronic cash ledger ('ECL') and electronic duty credit ledger ('EDCL') respectively.

Subsequently, for implementing the aforementioned Section, operational requirements were notified through the Customs (Electronic Cash Ledger) Regulations, 2022 (hereinafter referred to as 'ECLR' or the 'regulations') vide Notification No. 20/2022 – NT dated 30 March 2022 and were made effective 1 June 2022.

However, since the IT infrastructure and integration of system were pending, the implementation of the ECLR was kept in abeyance till 31 March 2023 by way of exempting all deposits from complying with the said provisions.

Applicability

The regulations have now been implemented by removing the exemptions in a phased manner which are described below:

1. The following deposits are exempted from complying with ECLR until such exemption is withdrawn:
 - i. Deposits with respect to goods imported or exported in custom stations where customs automated system is not in place.
 - ii. Deposits with respect to accompanied baggage

- iii. Deposits **other than** those used for making **electronic** payment of:
 - a. any duty of customs, including cesses and surcharges levied as duties of customs;
 - b. integrated tax;
 - c. Goods and Service Tax Compensation Cess;
 - d. interest, penalty, fees or any other amount payable under the Act, or Customs Tariff Act, 1975.
2. Deposits in respect of the goods imported or exported in International Courier Terminals are exempted from complying with ECLR only till 30 April 2023.
3. It is to be noted that the exemption in respect of following deposits shall continue where the payment is made through TR-6 challan through authorized bank counters at custom locations.
 - a. any duty of customs, including cesses and surcharges levied as duties of customs;
 - b. integrated tax;
 - c. Goods and Service Tax Compensation Cess;
 - d. interest, penalty, fees or any other amount payable under the Act, or Customs Tariff Act, 1975.

It is proposed that the activity of depositing amounts through TR-6 challan would also be gradually migrated to the ECL in subsequent phases.

It has also been proposed that the following functionalities shall be **developed** in the ECL

- a. Auto-debit of self-assessed amount from the ECL when liability becomes due
- b. Payments made on own ascertainment for various purposes such as pre-deposits for filing appeals etc.
- c. Other sums due for payment by shipping lines, customs brokers etc.

- d. Payment towards collection of fees, charges etc., including by Participating Government Agencies (PGAs), during import or export.

Process

The ECLR require taxpayers to be registered on the ICEGATE portal and create an ECL account. The following persons have been enabled in the ECL on the ICEGATE portal.

- a. Importers and Exporters – IEC holders
- b. Customs brokers and couriers who are making payment on behalf of the importers/exporters.
- c. Importers who are assigned Unique Identification Number (UIN) under GST.

The detailed advisory for regulation and creation of ECL has been made available on the ICEGATE portal¹. The process as covered in the ECLR read with circular number 09/2023 dated 30 March 2023 is summarized below-

1. Maintenance of ECL:

- The manner of maintaining ECL and modes of deposits into the ECL have been outlined under Regulation 3 of ECLR.
- Deposits in ECL shall be made by generating challan in Form ECL-2 which shall be valid for 15 days on the portal. Deposits may be made in the ECL using the authorized payment modes. The amount deposited shall be visible on the ECL maintained on the portal.
- The deposit made in ECL will not accrue any interest.
- The ECL will be maintained in Form ECL-1 on the common portal for each person for deposit and payment towards various duties, taxes, cesses, surcharges, interest, penalty, fees or any sum payable under Customs Act, Customs Tariff Act or the rules & regulations made thereunder.
- A unique identification number (UIN) will be generated on the common portal when any debit or credit is made in the ECL and the said

¹ <https://www.icegate.gov.in/guidelines/electronic-cash-ledger-advisory>

UIN shall be indicated in the relevant customs declaration.

- The amount may be deposited through, (i) Internet banking, (ii) NEFT / RTGS; (iii) Over the counter payment through authorized bank.
- Payment through internet banking has been enabled for 12 banks² and other banks shall be onboarded as and when the testing of such banks is completed.
- Payment to the ECL through NEFT / RTGS payment has been enabled for all the banks however, such facility shall be available only after 3 April 2023.
- Over the counter payment cannot exceed INR 10,000 per day. However, the said limit does not apply to deposits made by the Government Department or where the Jurisdictional Commissioner of Customs authorizes a higher amount to be deposited.
- In case of deposit through NEFT/RTGS or over the counter payment, a mandate form along with the deposit challan shall be generated on common portal and the same will be required to be submitted to the bank within 15 days.
- On successful credit of the amount, a Challan Identification Number (CIN) will be generated and the same will be indicated on the deposit challan and the amount will be credited to the ECL.

2. Manner of making payment from the ECL:

- The payment using the deposit available in ECL may be made by selecting the payment challan generated at ICES/ECCS or other application, with ECL as a mode of payment.
- A person may use the amount available in ECL for making payment towards duties, interest, penalty, fee, or any other sum payable through payment challan in Form ECL-3 generated:

(a) By the person on the basis of his own ascertainment of the amount payable

(b) By the customs automated system in accordance with the provisions of the Customs law; or

- The amount shown in the challan will be automatically debited from the ECL:
 - (a) In case the consent for auto-debit has been provided
 - (b) The amount available in the ECL is sufficient for payment of the entire amount of challan.
- The successful debit of the amount will be visible in the ECL and the credit of the same will be shown in Electronic Duty Payment Ledger maintained in Form ECL-4.
- A functionality to make payment without first depositing into ECL is also provided, that allows users to select the payment challan and choose amongst internet banking / NEFT / RTGS options and complete the payment process. In such situation, at the back end, a deposit challan for the same amount will be generated on the portal, deposited in ECL, and debited from ECL as payment.

3. Refund:

- A person can make an application for refund of balance in the ECL, after payment of different liabilities, in Form ECL-5 on the common portal.
- The amount applied for refund shall not be available for use once the application is made. The amount shall be refunded to the bank account registered with customs automated system within thirty days from the date of application on the common portal.
- Since the balance of ECL is treated as a deposit, the refund of the same is not governed by Section 27 of the Customs Act.

² (1) State Bank of India (2) Punjab National Bank (3) Bank of Baroda (4) South Indian Bank (5) Karnataka Bank (6) Karur Vysya Bank (7) Federal Bank (8) Indian Overseas Bank (9) ICICI Bank (10) Dhanlaxmi Bank (11) Canara Bank (12) Bank of India

KCM Comments

- 1) The concept of ECL under the Customs law which is similar to the ECL maintained under the GST law, has now been implemented by the government as a matter of facilitation for the trade & industry. While these regulations were notified w.e.f. 1 June 2022, the implementation of the same was been kept in abeyance by way of an exemption for so as to give sufficient time for development of the portal. It is understood that the portal is not yet fully functional, and few challenges are being faced by the users at the time this publication was being written.
- 2) The phased introduction of ECL is aimed at leveraging technology and reforming the payment process, inter-alia related to clearance of goods as the deposit may be held in ECL by the Trade for making subsequent transaction-wise payments of various types. This has potential to easing compliance in

numerous ways some of which are mentioned below-

- a) Making deposits before goods arrival allows certainty in quick discharge duty 24 x 7 for clearance
- b) Reducing instances of payment rejections
- c) Reducing instances of double duty payment as rejected payment will stay at the ECL for re-initiating payment of duties
- d) Importer who wishes to continue payment on transaction basis is being provided an option to pay on the portal for the same. Internally the, systems design takes care of routing the payments instantaneously through the ECL before accounting for duty payment
- e) NEFT and RTGS modes of payment enabled, in addition to internet banking
- f) Enables one-time importers to also make payment.

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For further analysis and discussion, you may please reach out to us.

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