Tax Wire

Remission of Duties and Taxes on Exported Products (RoDTEP)

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Background

RoDTEP rates and scheme details have been announced by the Ministry of Commerce and Industry by making suitable amendments to chapter 4 of the Foreign Trade Policy (FTP) in the notification (19/2015-2020) dated 17th August 2021.

While the MEIS benefits provided to exporters was a popular scheme, WTO rulings meant there was a need to restructure the schemes. In this backdrop, initially the RoSCTL scheme was announced for textiles and now the RoDTEP scheme has been announced for the other sectors. The press release aptly sums up the scheme as "*Scheme's objective is to refund, currently un-refunded*".

Key Features of the Scheme:

- RoDTEP is a duty remission scheme mentioned in chapter 4 of Foreign Trade Policy (FTP) as opposed to export benefit schemes like MEIS/SEIS mentioned in chapter 3 of FTP. This is to thread within the parameters laid down by World Trade Organisation (WTO).

    a. It is currently available only for export of products (8555 items) and not for export of services.

    b. It shall be effective from 1-1-2021 subject to exporters having applied for it at the time of filing the relevant shipping bills.

- Benefit shall be given by way of e-scrip which can be used for payment of Basic Customs Duty only. These scrips are transferable to other IEC-holders.

- The RoDTEP rates range from 0.5% to 4.3% of the Freight On Board (FOB) value of exports with an upper cap per unit notified in case of certain products. The rates seem significantly lower than the earlier MEIS rates.

- Significantly, the scheme is not eligible in the following cases :

    a. exports cleared under advance-authorisation, exports from EOUs, SEZs. RoDTEP may be notified from a future date in these cases. It may be noted that EOUs/SEZs were eligible for erstwhile MEIS benefits

    b. products wholly or partly manufactured in bonded warehouses [Complete list of ineligible categories are listed at the end of the Alert].

- The benefit is available only if export proceeds are realised within the time prescribed under FEMA (scrip can be obtained upfront and if realisation is not within time limits, it shall be deemed as if the scrip was never allowed and consequences apply accordingly).

- Scrips shall be subject to overall budget/overlay finalised by the Ministry of Finance.

- There is no mechanism for brand rate fixation, i.e. all products falling under a HSN shall have the same rate irrespective of actual tax cost embedded in such products.

- Scheme shall be operationalised digitally through electronic credit ledgers to be accessed through prescribed government portals.

Complete list of ineligible items :

i. Export of imported goods covered under paragraph 2.46 of FTP

ii. Exports through trans-shipment, meaning thereby exports that are originating in third country but trans-shipped through India

iii. Export products which are subject to Minimum export price or export duty

iv. Products which are restricted for export under Schedule-2 Of Export Policy in ITC (HS)

v. Products which are prohibited for export under Schedule-2 of F,xport Policy in ITC (HS).

vi. Deemed Exports

vii. Supplies of products manufactured by DTA units to SEZ/FTWZ units

viii. Products manufactured in EHTP and BTP

ix. Products manufactured partly or wholly in a warehouse under section 65 of the Customs Act, 1962 (52 of 1962)

x. Products manufactured or exported in discharge of export obligation against an Advance Authorization or Duty-Free Import Authorization or Special Advance Authorization issued under a duty exemption scheme of relevant Foreign Trade Policy

xi. Products manufactured or exported by a unit licensed as hundred per cent Export Oriented Unit (EOU) in terms of the provisions of the Foreign Trade Policy

xii. Products manufactured or exported by any of the units situated in Free Trade Zones or Export Processing Zones or Special Economic Zones

xiii. Products manufactured or exported availing the benefit of the Notification No. 32/1997- Customs dated 1st April, 1997.

xiv. Exports for which electronic documentation in ICEGATE EDI has not been generated/ Exports from non-EIN ports

xv. Goods which have been taken into use after manufacture

Advith Comments

Certain features such as the reduction in the scrip rates, per unit cap, larger exclusion criteria, lack of brand rate fixation will result in RoDTEP being less appreciated than the erstwhile MEIS benefits. However, end-to-end digitization of the process is welcome from a procedural perspective.

Exporters may assess the impact of the above scheme and suitably revisit the benefits currently being availed, product pricing, and such other parameters. Exporters may also re-validate the HSN being used to ensure correct HSNs are mapped to the export products.

Many, if not most, exporters had worked out estimated indirect tax costs getting added to their export product and submitted to the Ministry through requisite channels. These hidden tax costs seem to arise from indirect tax on fuel, which is currently outside GST and non-creditable, electricity duties, stamp duties, non-creditable portion of GST (such as GST on immovable property related works contracts), etc. Industry would be hoping the government either addresses these tax inefficiencies (say by bringing all sectors under GST) or provide an export benefit commensurate with these costs. Else exports from India will be uncompetitive in the global market, to that extent.

Moreover, service exporters continue to await for clarity on any such beneficial schemes for services (in lieu of erstwhile SEIS).

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