

## RoDTEP: Remission of Duties and Taxes on Export Products

*With the withdrawal of existing MEIS export promotion scheme, the RoDTEP (Remission of Duties and Taxes on Export Products) scheme comes as a huge relief to the exporters. The scheme will cover around 8,555 tariff items with rebate in the range of 0.5% to 4.3% with ceiling limits. The aim of the scheme is to refund currently unrefunded duties/taxes/levies charged indirectly in the production of export products. This will help in cost reduction and improved competitiveness of products over a long-time horizon. The scheme covers most of the sectors except steel, organic and inorganic chemicals, pharmaceuticals. The scheme will play a key role in fulfilling exports obligations and helping India embark on its 'Aatmanirbhar Bharat' journey at lightning speed. Read on...*



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**Preamble:** The scheme's aim is to refund, currently unrefunded duties/taxes/levies, at the Central, State, and local level, borne on exported products consisting of prior stage cumulative indirect taxes on goods and services utilized in the making of the exported product and such indirect duties/taxes/levies towards the distribution of export.

**Need for Introduction of the RoDTEP scheme:** The RoDTEP Scheme came into existence because USA filed a complaint against India at the World Trade Organization (WTO) claiming the existing scheme harms the American workers. USA argued that export subsidies like the MEIS scheme (The Merchandise Exports from India Scheme) given by GOI distorted trade by providing direct

subsidies to Indian exporters and is against the WTO rules. A dispute panel in the WTO ruled against India, stating that the export subsidy scheme that was provided by Government of India violated the provisions of WTO's norms. Hence, the Finance Minister announced this scheme in replacement of the MEIS scheme. The scheme was approved by the Union cabinet and came into effect from 1<sup>st</sup> January 2021 and will be until 2025. The Ministry of Commerce and Industry notified about the RoDTEP scheme on 17<sup>th</sup> August 2021. This is a much-awaited scheme notified by the GOI after phasing out the MEIS scheme.

### Features of the scheme

- The scheme will cover 8555 export products (*Notification No. 19/2015-2020, Dated 17<sup>th</sup> August 2021*).



- All the eligible products with the benefit rates given under Appendix 4R of Notification.
- The tax refund rates range from 0.5 percent to 4.3 percent for different sectors. Rebates under the scheme shall not be available in respect of duties and taxes already exempted or deposited or credited.
- The scheme would operate in a budgetary framework for each financial year and a Rs. 19,400 crore outlay has been announced for the FY 2021-22 under the RoDTEP Scheme and RoSCTL scheme (Rebate of State and Central Taxes and Levies) where RoDTEP scheme's budget would be Rs. 12,454 crores and the remaining Rs. 6,946 crores is for RoSCTL.
- Currently, three sectors – steel, chemicals and pharmaceuticals would not get the benefit of RoDTEP.
- The RoDTEP scheme is primarily a replacement of MEIS scheme.
- The scheme covers export areas which are relatively lower in volume.
- The automated refund system in the form of transferable duty credit/electronic scrips, which will be maintained in an electronic ledger.

**Refunds of embedded duties and taxes:** Under the scheme, various central and state duties, taxes, and levies imposed on input products such as duty levied by the state on electricity used for manufacturing, VAT on fuel in transportation, farm sector, captive power generation, Mandi tax, stamp duty and central excise duty on fuel used in transportation, among others, would be refunded to exporters as a percentage of F.O.B Value of exports. The scheme will ensure that our export products do not contain any incidence of taxes and duties, and exporters only export goods and services, and the scheme would cover all indirect Central and State taxes that are not reimbursed/collected.

### Sectors that will get the benefits

Employment-oriented sectors such as marine, agriculture, leather, gems and jewellery are covered under the scheme. Other sectors such as automobile, plastics, electronics, among others will also be covered. Besides, the entire value chain of the textile sector will get covered through the RoDTEP and RoSCTL schemes.

### Sectors not covered under the benefits

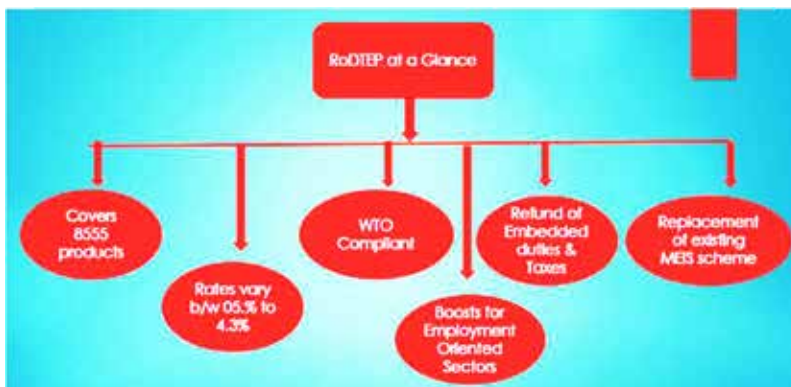
Sectors such as steel, organic and inorganic chemicals, pharmaceuticals have been

kept outside the scope of the new scheme. Further, Special Economic Zones (SEZ), Export-Oriented Units (EOUs), Advance Authorization holders, Operators under MOOWR schemes, etc. are excluded from the scheme benefits.

### Ineligible supplies/Items/ Categories under the scheme

The transactions mentioned as not eligible for the RoDTEP scheme through the DGFT Notification are listed below. The mentioned class of exports or exporters will not be liable for the levied benefit of the RoDTEP scheme.

1. Export of imported goods included under paragraph 2.46 of FTP.
2. The exports via trans-shipment, direct that the exports which are introduced in the 3<sup>rd</sup> country are shipped from India.
3. The export product is subjected to a minimum export price or export tax.
4. The product gets restricted for the export beneath "Schedule-2 of Export Policy in ITC (HS)".
5. Products that are banned for export beneath "Schedule-2 of Export Policy in ITC (HS)".
6. "Deemed Exports".
7. Supplies of products manufactured through DTA units to SEZ/FTWZ units.
8. "Products manufactured in EHTP and BTP".
9. "Products manufactured partly or wholly in a warehouse beneath section 65 of the Customs Act, 1962 (52 of 1962)".
10. The products made or exported to realize the



# Indirect Taxes

obligation with respect to the advance Authorization or tax-free Import Authorization or Special Advance Authorization circulated beneath a duty privilege policy of concern Foreign Trade Policy.

11. Under the provisions of the foreign trade policy the product made or exported through the unit licensed as a hundred per cent export-oriented unit (EOU).
12. The products made or exported through any of the units held "in Free Trade Zones or Export Processing Zones or Special Economic Zones".
13. The products built or exported claiming the advantage of the *Notification No. 32/1997- Customs dated 1<sup>st</sup> April 1997*.
14. The exports for which the electronic documentation in ICEGATE EDI is not to be made or exports from non-EDI ports.
15. Post to produce the goods is used.

## Technologically Advanced scheme

Government has introduced various digital platforms to implement different export promotion schemes. As per the government notification, an IT-based risk management system would be introduced under the RoDTEP Scheme which will help in smoother and faster processing and enhance the ease of doing business. The policy will be executed via the digitization of issuance of the levy amount in the form of the transferable tax credit/electronic scrip (e-scrip), which is to be maintained in the electronic ledger through the

Central Board of Indirect Taxes and Customs (CBIC).

## How to avail the benefits under the scheme?

The steps to avail the benefits under RoDTEP Scheme are as follows -

### Step1: Claim in the Shipping Bills

With effect from 01.01.2021, it is mandatory for the exporters to indicate in their Shipping Bill whether or not they intend to claim RoDTEP on the export items. This claim is mandatory for the items (RITC codes) notified under the new scheme. This declaration has been made mandatory for all items in the Shipping Bill starting from 01.01.2021. Unlike Drawback, there will be no need to declare any separate code or schedule serial number for RoDTEP.

The exporter will have to make following declarations in the SW\_INFO\_TYPE Table of the Shipping Bill for each item

INFO TYPE	DTY
INFO QFR	RDT
INFO CODE	RODTEPY- If RoDTEP is availed RODTEPN- If not availed
INFO MSR	Quantity of the items in Statistical UQC as per the Customs Tariff Act for that item RITC
INFO UQC	UQC for the Quantity indicated in INFO_MSR

### Step2: Processing of the claim

Based on the information provided in Step 1, system will process the eligible RoDTEP.

**Step3: Generation of Scroll** Once the scroll is generated, the amounts would be available with the exporter as credits on the ICEGATE portal.

### Step4: Claiming of Credit and generation of Credit Scrip

Once the scroll is generated, the exporter can log into their ICEGATE portal and convert them into credit scrips. The exporter will be able to club the credits allowed for any number of Shipping Bills at a port and generate credit scrip for the same on ICEGATE portal (the same can be done by login to ICEGATE website <https://www.icegate.gov.in/> using class 3 Digital signature certificate).

### Step5: Utilization of the Scrips

These scrips can be used for the payment of import duties as would be notified by CBIC. The exporter can transfer the scrip to any other IEC holder who will be able to use this scrip in the bill of entry by giving the license details.

Note: The RoDTEP Credit Ledger can be used by the Importer/ Exporter/CHA only after creating a successful credit ledger account at ICEGATE. The following information would be available in the ledger account -



Employment-oriented sectors such as marine, agriculture, leather, gems and jewellery are covered under the scheme. Other sectors such as automobile, plastics, electronics, among others will also be covered.

- Scroll Details
- Scrip Details
- Transaction Details
- Transfer Scrips
- Approved Scrips Transfer
- Mechanism of Issuance of Rebate
- Under the scheme, a rebate would be granted to eligible exporters at a notified rate as a percentage of FOB value with a value cap per unit of the exported product, wherever required, on export of items which are categorized under the notified 8-digit HS code. Rate of rebate/value cap per unit under RoDTEP is notified in Appendix 4R.
- The rebate allowed is subject to the receipt of sale proceeds within time allowed under the Foreign Exchange Management Act, 1999 failing which, such rebate shall be deemed never to have been allowed.
- The scheme would be implemented through end-to-end digitization of issuance of rebate amount in the form of a transferable duty credit/electronic scrip (e-scrip).



Government has introduced various digital platforms to implement different export promotion schemes. As per the government notification, an IT-based risk management system would be introduced under the RoDTEP Scheme which will help in smoother and faster processing and enhance the ease of doing business.

### Monitoring, Audit and Risk Management System

Exporters would be required to keep records substantiating claims made under the scheme.

For the purpose of audit and verification, a monitoring and audit mechanism with an IT based Risk Management system (RMS) would be put in place by the CBIC, Department of Revenue to physically verify the records of the exporters on sample basis. Sample cases for physical verification will be drawn objectively by the RMS, based on risk and other relevant parameters.

### Is there any budget constraint for the scheme?

As per the notification, the scheme will operate in a Budgetary framework for each financial year and necessary calibrations and revisions shall be made to the scheme benefits, as and when required, so that the projected remissions for each financial year are managed within the approved budget of the scheme. No provision for remission of arrears or contingent liabilities is permissible under the scheme to be carried over to the next financial year.

### Comparison between MEIS and RoDTEP

Detail	MEIS	RoDTEP
<b>Incentive scheme</b>	Incentive on exports of goods in form of transferable scrips	Refund of Indirect taxes on Inputs used in the manufacture of exported product which is not being currently reimbursed by any other existing schemes
<b>WTO Compliance</b>	Non-Compliant with WTO trade norms	Compliant with WTO trade norms
<b>Incentive Percentage</b>	2% to 5% of FOB value of Exports	Product-based %
<b>Mode of Issuance</b>	Issuance in the form of transferable scrips (Hard copy/ downloadable)	Issuance in the form of transferable duty credit/ electronic scrip which will be maintained in electronic ledger



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### Conclusion

The scheme will play an important role in making internationally competitive goods originating from India. These much-awaited rates will help in easing the liquidity of the exporters, ensuring predictability and stability thus helping competitiveness of exports over a long-time horizon. The scheme will boost Indian exports by providing a level playing field to the domestic industry aboard. The industry can hope for a seamless transition into the scheme with equitable benefit.

### References:

1. Notification No. 19/2015-2020, Dated 17<sup>th</sup> August 2021
2. News articles ■■■