

# Remission of Duties and Taxes on Exported Products Scheme

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# Introduction

The Government of India has notified<sup>1</sup> guidelines and rates for Remission of Duties and Taxes on Exported Products (RoDTEP) scheme on 17 August 2021. The benefits of this scheme have been extended to exporters w.e.f. 1 January 2021. The scheme has been notified as a part of Chapter-4 of the Foreign Trade Policy, which covers duty remission schemes.

Directorate General of Foreign Trade (DGFT) has also notified rates for different chapters under annexure 4R of Handbook of Procedures.

RoDTEP is a combination of the current Merchandise Export from India Scheme (MEIS) and the Rebate of State and Central Taxes and Levies (RoSCTL) except for some specified goods such as apparel/garments (Chapters-61 and 62) and made-ups (Chapter-63), which would be continued under RoSCTL.

## Key highlights of RoDTEP scheme

Reimbursement of taxes/duties/levies at the central, state or local level

Issuance in the form of electronic duty credit scrips or e-scrips

Freely transferrable and used only for payment of basic customs duty (BCD)

01

02

03

1. Vide notification 19/2015-20 dated 17 August 2021

# Overview of RoDTEP scheme



## Major benefited sectors (8555 tariff items)

- Automobile
- Electronics/electrical
- Machinery
- Leather
- Jewellery
- Plastics
- Textile and textile articles, etc.



## Grant of rebate/conditions

- Reward as % of freight on board(FOB) value (value cap per unit) or on fixed quantum against the exported product
- Subject to realisation of export proceeds as per the Foreign Exchange Management Act, 1999 (FEMA)
- RoDTEP benefits are not available for ineligible categories



## Incentive range

- Under MEIS the incentive ranged between 3 to 7% whereas in RoDTEP it ranges between 0.01 to 4.3%
- Effective for exports made from 1 January 2021
- Specific category of supplies to be notified later



## Claim

- Claims shall be made in the DGFT portal under an IT-based Risk Management System (RMS)
- Scrips shall be maintained in electronic system by Central Board of Indirect Taxes & Customs (CBIC)
- List of items in Appendix 4R as notified dated 17 August 2021 shall be eligible for the scheme
- Necessary due diligence shall be conducted by department based on details maintained in RMS



## Factors to consider

- Ministry of Finance shall fix a budget for each financial year beyond which an exporter shall not be entertained for claim neither shall they be allowed to carry forward in the subsequent year. The RoDTEP committee shall submit their recommendations for the inclusion of eligibility and rates for the following category of goods:
- Manufactured and exported as supplies against advance authorisation or Duty Free import Authorisation (DFIA) or special authorisation
  - Manufactured and exported by 100% export oriented units (EOU)
  - Manufactured and exported by units in free-trade zone (FTZ), export-processing zone (EPZ) or special economic zone( SEZ)





# Ineligible categories

- 01 Export of imported goods (i.e. without any value addition)
- 02 Exports through transshipment
- 03 Export products subject to Minimum Export Price or Export Duty
- 04 Restricted or prohibited exports under Schedule-2 of Export Policy in ITC (HS)
- 05 Deemed exports and supplies of products manufactured by Domestic Tariff Area (DTA) units to SEZ/ Free Trade Warehousing Zone (FTWZ) units
- 06 Products manufactured in Electronic Hardware Technology Park (EHTP) and Bio-Technology Parks (BTP)
- 07 Products manufactured partly or wholly in a warehouse under section 65 of Customs Act, 1962
- 08 Products manufactured or exported against an Advance Authorisation or DFIA, or Special Advance Authorisation issued under a duty exemption scheme
- 09 Products manufactured or exported by 100% EOU unit
- 10 Products manufactured or exported by units situated in FTZs, EPZs or SEZs
- 11 Products manufactured or exported under job work contracts (Notification No. 32/1997 Customs dated 1 April 1997)
- 12 Exports from non-electronic data interchange (EDI) ports
- 13 Goods taken into use after manufacture

For exports from categories 08, 09 and 10 as mentioned above, the implementation date will be decided later and RoDTEP rates for the export items under such categories would be decided based on the recommendations of the RoDTEP committee.

## Comparison between MEIS, RoSCTL and RoDTEP

Aspect	MEIS	RoSCTL	RoDTEP
Incentive scheme	Incentive on exports of goods in form of transferable scrips	Rebate of certain central and state taxes and levies issues in the form of duty credit scrips	Refund of indirect taxes on inputs used in the manufacture of exported product that are not being currently reimbursed in any other existing schemes
WTO compliant <sup>2</sup>	Currently under dispute whether it is compliant with WTO norms	Compliant with WTO trade norms	Compliant with WTO trade norms
Application form	Form ANF-3A (to be filled online on DGFT portal)	Form ANF 4R (to be filed online on DGFT portal)	Yet to be notified
Incentive	2-5% of realised FOB value of exports in free foreign exchange or FOB value of exports as per shipping bill, whichever is lower	1-4% based on FOB value of exports in foreign currency	Ranges between 0.01 to 4.3% based on % of FOB value (value cap per unit)
Mode	Issued in the form of transferable scrips (physical copy)	Issued in the form of transferable scrips in paperless mode	To be issued in the form of transferable duty/electronic scrip, which will be maintained in electronic ledger
Transferable	Transferable in open market	Transferable in open market	Transferable in open market

2. WTO prohibits any direct subsidies to a firm or industry which are contingent upon export performance. In MEIS the basis of calculation of benefits was the FOB value of the export product, thereby making it non-compliant to WTO. The WTO does not put any restriction on the remission/rebate of duties and taxes which have been built in the cost of the exported products.

## Our view

RoDTEP scheme will enhance India's competitiveness in the global market as reimbursement of un-refunded duties and taxes will make products more attractive.

This has brought a sigh of relief to exporters since it will help them revive their businesses in the wake of the pandemic.

While the government has covered most sectors under this scheme, some sectors such as iron and steel, chemicals and pharmaceuticals industry are not covered under this scheme.

We recommend that exporters should undertake the following steps:

- Evaluate present rate notified and actual embedded tax/duty on the export products
- File representation before the RoDTEP committee for rate increase/inclusion of product or category of goods

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