

REMISSION OF DUTIES AND TAXES ON EXPORTED PRODUCTS (RODTEP) SCHEME UNDER FOREIGN TRADE POLICY



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Export Promotion Schemes under Chapter 4 of the Foreign Trade Policy 2015-20 is having provision of several schemes to boost exports of the Country by way of giving incentives to the domestic manufacturers to enhance export production. In order to give relief to the exporters by reimbursement of all State and local levies which are part of the prices of the goods exported, a new scheme has been introduced as Remission of Duties and Taxes on exported products (RoDTEP).

RoDTEP is a new scheme launched by the Government w.e.f. 01-Jan-2021 to replace the existing MEIS scheme for exports of goods from India and this scheme was announced vide press release dated 31-Dec-2020 by the advisory of Ministry of Finance, which is applicable to all export goods. The Scheme for Remission of Duties and Taxes on exported products has been notified vide Notification No.19/2015-2020 dated 17.08.2021 by the Ministry of Commerce & Industry, the Government of India.

Scheme Objective and Operational principles:

- (i) The Scheme's objective is to refund, currently un-refunded.
- (ii) The very fundamental principles of FTP, 'Let the goods are exported', not the taxes therein' and the objective behind introduction of RoDTEP scheme, under which a mechanism would be created for reimbursement of taxes / duties / levies, at the Central, State and local level, which are currently not being refunded under any other mechanism, but which are incurred in the process of manufacturing and distribution of exported products.
- (iii) The rebate under the Scheme shall not be available in respect of duties and taxes already exempted or remitted or credited.
- (iv) To boost exports scheme for enhancing Exports to International Markets.
- (v) To make Indian exports cost competitive and create a level playing field for Indian exporters in international market
- (vi) To boost to employment generation in various sectors,

- (vii) It aims to boost dwindling outward shipments.
- (viii) The determination of ceiling rates under the Scheme will be done by a Committee in the Department of Revenue/Drawback Division with suitable representation of the DoC/DGFT, line ministers and experts, on the sectors prioritize by Department of Commerce and Department of Revenue.
- (ix) The overall budgetary for the RoDTEP Scheme would be finalized by the Ministry of Finance in consultation with Department of Commerce (DoC), taking into account all relevant factors.
- (x) 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.
- (xi) 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.
- (xii) 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 allowed.
- (xiii) Mechanism of Issuance of Rebate: 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), which will be maintained in an electronic ledger by the Central Board of Indirect Taxes & Customs(CBIC).
- (xiv) The necessary provisions for recovery of rebate amount where foreign exchange is not realized, suspension / withholding of RoDTEP in case of frauds and misuse, as well as imposition of penalty will also be built suitably by CBIC.

Salient features of RoDTEP Scheme:

1. RoDTEP scheme is going to give a boost to the domestic industry and Indian exports providing a level playing field for Indian producers in the International market so that domestic taxes / duties are not exported.
2. Taxes such as VAT on fuel, excise duty on fuel, Mandi Tax, which were used in the production goods and used in the distribution services of export goods will be reimbursed through the RoDTEP scheme.
3. Thereby, the objective of Zero-rating of export products can be achieved through the RoDTEP scheme.
4. Under the scheme an inter-ministerial Committee will determine the rates and items for which the reimbursement of taxes and duties would be provided.
5. The refund would be claimed by the exporters as a percentage of the freight on board (FOB) value of export goods of each consignment once it is exported.
6. Refund under the scheme, in the form of transferable duty credit electronic scrip will be issued to the exporters, which will be maintained in an electronic ledger. The scheme will be implemented end to end digitization.
7. An exporter desirous of availing the benefit of the RoDTEP scheme shall be required to declare his willingness for each export items in the shipping bill or bill of export.
8. Once the rates are notified, System would automatically calculate the RoDTEP amounts for all the items where RoDTEP was claimed. No changes in the claim will be allowed after filing of export general manifest with Customs authority.
9. A monitoring and audit mechanism, with an information technology based risk management system (RMS), would be put in place to physically verify the records of the exporters.
10. Increase in loan availability for exporters introduced through ECG acting as guarantee for loans availed.
11. Decrease in credit interest rates to MSMEs.
12. A budget to provide higher insurance cover through Export Credit Guarantee Corporation (ECGC), to increase the lending opportunities from banks.
13. Reduction in turnaround time on airports and ports to decrease delays in exports. A real time monitoring of clearance status via digital platform will be made available.

Eligibility to avail benefits of the RoDTEP scheme:

- The Scheme will cover all sectors (including textiles), with priority given to labour-intensive sectors which are enjoying benefits under MEIS Scheme at 2%, 3% or 5% of the export value.
- Both merchant exporters and manufacturer exporters are eligible.
- There are no minimum turnover criteria or threshold limit to claim the RoDTEP.
- Goods exported through e-commerce platform via courier are also eligible.
- The exported products need to have country of origin as India.
- Re-exported products are not eligible under this Scheme.
- Special Economic Zone Units are also eligible to claim the benefits under this Scheme.

Remarks: As per clarification dated 15th January'2021 by SEZ Division, Department of Commerce provided that if an SEZ unit files shipping bill under RoDTEP scheme, the same would be allowed after mentioning the following in the remarks column:

“Shipping Bill filed under RoDTEP scheme if applicable to SEZ unit & subject to such conditions as prescribed including the product coverage”

In case exports from SEZ are covered under the RoDTEP scheme, such exports may be taken into account under RoDTEP.

Ineligible exporters for the RoDTEP scheme:

The following categories of exporters shall not be eligible for rebate under RoDTEP Scheme:

- (i) This scheme does not cover to the export of services only exporters of goods are eligible to avail this scheme.
- (ii) Export of imported goods cover under paragraph 2.46 of FTP.
- (iii) Exports through trans-shipment, meaning thereby exports that are originating in third country but trans-shipped through India.
- (iv) Export products which are subject to Minimum export price or export duty.
- (v) Products which are restricted for export under Schedule-2 of Export Policy in ITC (HS).
- (vi) Products which are prohibited for export under Schedule-2 of Export Policy in ITC (HS).
- (vii) Deemed Exports.
- (viii) Supplies of products manufactured by DTA units to

SEZ / FTWZ units.

- (ix) Products manufactured in EHTP and BTP
- (x) Products manufactured partly or wholly in a warehouse under section 65 of the Customs Act, 1962 (52 of 1962).
- (xi) Products manufactured or exported in discharge of export obligation against an Advance Authorisation or Duty Free Import Authorisation or Special Advance Authorisation issued under a duty exemption scheme of relevant 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-EDI ports.
- (xv) Goods which have been taken into use after manufacture.

The Government may modify any of the categories as mentioned above for inclusion or exclusion under the scope of RoDTEP at later date.

Process for claiming scrips / benefits under RoDTEP Scheme:

The ICEGATE portal (Indian Customs Electronic Gateway) having the details of credits available to the exports from the various scheme benefits under export products. The process for the generation and claiming of scrips under the RoDTEP scheme are listed as under:

1. The process starts with filing of the Export General Manifest (EGM) at ICEGATE.
2. The exporters' desires of availing the benefit of the scheme should make a declaration of the claim for RoDTEP in the shipping bill.
3. The exporter should log in to the ICEGATE portal and create a RoDTEP credit ledger.
4. After the RoDTEP credit ledger account is created, the exporters can log in to their account by using class-3 DSC.
5. The exporter can generate scrips by selecting the relevant shipping bills.
6. After processing the claim, a scroll with all individual shipping bills for the admissible amount will be generated and available in the users account at ICEGATE portal.

7. The exporters will be able to club the credits allowed for any number of shipping bills at a port and generate credit scrips for the same.
8. Once the scrips are generated the refund will be credited and reflected in the exporter's ledger account.
9. The e-scrips would be used only for payment of duty of Customs leviable under the First Schedule to the Customs Tariff Act, 1975 viz. Basic Customs Duty. The credit amounts are available in the ledger may be utilize for payment of the eligible duties during imports or for transfer to any other importers having IEC and a valid IECGATE registration.

Major benefits of the RoDTEP Scheme:

- (i) The RoDTEP scheme will now be refunded the embedded central excise duty, madi tax, VAT, Coal cess on fuel or generation of electricity, which are used in the manufacture of export goods and services for the distribution of export goods.
- (ii) The refund would be credited in an exporter's ledger account with Customs and used to pay Basic Customs duty on imported goods.
- (iii) The refund will be issued in the form of transferable electronic scrips. These duty credits will be maintained and tracked through an electronic ledger.
- (iv) The credits can also be transferred to other importers just like MEIS / SEIS scrips.

Conclusion: The RoDTEP scheme is the export subsidy scheme has been launched by the Government as a WTO (World Trade Organisation) compliant scheme. The new scheme of exports benefit has been announced by the Government through press release on 31st Deceber 2020, w.e.f 1st January 2021 for all export goods. The rate of duty of remission for the export products under RoDTEP scheme have been notified by the Government and the is available in Appendix 4R at the DGFT portal. Further, it is observed that benefit under RoDTEP Scheme would not be available to three sectors namely; iron & steel, chemicals and pharmaceuticals as export of these items are not covered under Appendix4R. A monitoring and audit mechanism with an IT based Risk Management System (RMS) would be put in place by the CBIC. For a board level monitoring, an output framework will be maintained and monitored at regular intervals. It is hoped that implementation of RoDTEP scheme replacing MEIS scheme would make India a compliant exporter and export products will be competitive price in the international market by giving incentives of refund of taxes on export products at the manufacturing stages.