



RoDTEP SCHEME

RoDTEP (Remission of Duties or Taxes on Export Products)

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RoDTEP (Remission of Duties or Taxes on Export Products) Scheme is proposed to alternate the existing MEIS (Merchandise Exports from India) Scheme with effect from 1 January 2021 and is likely to be notified soon. The scheme has already been announced and effective wef 1st January, 2021, but not yet notified.

A. Background

- The WTO mechanism, on the basis of a complaint, has found the existing MEIS incompatible with the WTO rules. There has been a similar ruling for many other Commerce Ministry schemes. Thus it had become imperative for India to come out with an alternative scheme, which is necessarily WTO-compliant
- After due and lengthy deliberations India has come up with a new, WTO-compliant scheme to compensate the incidence of taxes on exports, called the RoDTEP Scheme
- This proposal has been approved by the Union Cabinet on 13th March 2020 and is proposed to be effective from January 2021
- A three-member RoDTEP Committee, under former Home and Commerce secretary GK Pillai, was constituted in July 2020 to work out the modalities for calculation of duties/taxes/levies at the Central, State and local level, borne on the exported product.
- The other members are Mr. YG Parande and Mr. Gautam Ray (former Members of CBEC)
- MEIS has been withdrawn from 31st December 2020
- ***RoDTEP is applicable with effect from 1 January 2021 and has been announced and made effective and is likely to be notified soon***
- The basic principles of this new scheme have been informed by way of an Advisory and a PIB release
- MEIS was a Scheme introduced in 2015-20 Policy in Chapter 3 of FTP
- The objective of schemes under this chapter 3 is to provide rewards to exporters to offset infrastructural inefficiencies and associated costs.
- However, under the RoDTEP scheme, the embedded Central, State and Local duties or taxes will get refunded and credited in an exporter's ledger account with Customs

B. What the scheme proposes to do

RoDTEP envisages to reimburse the taxes and duties incurred by exporters, not exempted/reimbursed by any other scheme which include the following:

- Local taxes
- Coal cess
- All embedded taxes
- Central & state taxes on the fuel (Petrol, Diesel, CNG, PNG, and coal cess, etc) used for transportation of export products
- The duty levied by the state on electricity used for manufacturing
- Mandi tax levied by APMC's
- Toll tax & stamp duty on Import-Export documentation etc.
- The scheme desires to make our Indian export or merchandise products export efficient and competitive to enable them to be viable in the international market

- GST and Customs duties for inputs required to manufacture exported products are either exempted or refunded; hence duties outside GST not refunded for exports will be covered
- This will include prior-stage cumulative indirect taxes on goods and services used in the production and distribution of exported products
- Some of the taxes which are likely to be accounted for whilst framing the scheme are: VAT on fuel used in generation of captive power, VAT on fuel used in farm sector, Mandi Tax, Duty on electricity charges, Stamp duty on export documents, Embedded SGST and CGST paid on inputs such as pesticides, fertilizers used in production of agricultural goods, or in purchases from unregistered dealers, or on coal used in production of electricity, on inputs for transport sector and Central Excise on duty on fuel used in transport

C. Salient Features of the RoDTEP scheme

- I. Applicable to all sectors, across
- II. Priority given to labour-intensive sectors
- III. Present benefits under MEIS Scheme are at various rates of 2%, 3% or 5% of the export value
- IV. The wish list is to match the same and more; however, that is unlikely to happen.
- V. MEIS has been discontinued wef 1st January, 2021 and RoDTEP has been made effective from the same date
- VI. Manufacturer and Merchant exporters are eligible
- VII. SEZ Units are eligible
- VIII. Exports under the Advance Authorisation and EOU Units are ineligible
- IX. There is no minimum export/turnover criteria
- X. Goods exported through all methods are eligible
- XI. Country of origin rules apply
- XII. Re-exported products are not eligible
- XIII. Tax assessment will be fully automatic
- XIV. Exporters will be able to monitor the clearance status real-time via a digital platform
- XV. This can be used to pay basic customs duty on imported goods
- XVI. The credits can also be transferred to other importers

D. Statutory Support for the RoDTEP scheme

- I. Allocation of funds, or continuous budgetary support is desirable for seamless and time-bound duty disbursal
- II. Eligible exporters will get a percentage of the Freight On Board (FOB) value of exports as in other schemes
- III. ***Eligible exporters will get refunds in the form of transferable duty credit/electronic scrip, which will be maintained in an electronic ledger***
- IV. The scheme will be introduced sequentially across sectors
- V. However, prioritisation of the sectors to be covered may take place
- VI. The items that are likely to be covered initially are Apparel/RMG's, Made-ups, Iron and Steel and the Auto and Auto components sectors
- VII. Government needs to announce the rates quickly
- VIII. Government may cap the RoDTEP rates
- IX. Government has allocated only Rs. 13,000 crore in the last Budget for this scheme
- X. Benefits under the existing Textile RMG ROSCTL scheme will be converted to RoDTEP
- XI. It may take some time for all sectors to be covered under the RoDTEP scheme

E. MEIS vs RoDTEP

	MEIS	RoDTEP
Nature of benefit	Additional Incentive on Exports of goods	Remission of Indirect taxes on Inputs used in the exported product not refunded by any other schemes
WTO Compliance	Perhaps, No	Yes

Rate	2% to 5% of FOB value of Exports	Not known – but unlikely to be higher than MEIS
Document	Transferable scrips	Transferable duty credit/ electronic scrip to be maintained in electronic ledger

F. Present Position:

- Awaiting the Notification as a legal framework is mandatory
- Awaiting clarity on which schemes are ineligible, ie coverage of the scheme is awaited
- Awaiting the final rates
- Ineligible categories, as stated so far are:
 - Exports by EOUs
 - Advance Authorization
 - Jobbing
- ITC HS Codes are the likely applicable Codes
- Rest all is assumption and inference so far, till the scheme is '**Notified**'
- Rate of 0.5% has been allowed as a 'Dummy Rate' with the following advisory

“Exporters are getting RODTEP amount indicated in their Shipping Bills. This is only notional and calculated at dummy rate, since the final rates are not notified by the Govt. The actual RODTEP benefit will be available to the exporters once the rates are notified

My final observation:

This is a comprehensive and completely WTO-compliant scheme and will definitely be a long-term scheme. In addition, there is a possibility that in the long run many schemes may be subsumed under this scheme.

NB: The sources referred to are primarily from the Government sites, Circulars and Notifications, PIB Press Releases etc. However, various sites and opinion, views available in the public domain have also been referred to.

**Press Information Bureau
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Ministry of Finance**

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Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme gets implemented from 01.01.2021

Taking a major step to boost exports, Government has decided to extend the benefit of the Scheme for Remission of Duties and Taxes on Exported Products (RoDTEP) to all export goods with effect from 1st January, 2021.

The RoDTEP scheme would refund to exporters the embedded Central, State and local duties/taxes that were so far not being rebated/refunded and were, therefore, placing our exports at a disadvantage. The refund would be credited in an exporter's ledger account with Customs and used to pay Basic Customs duty on imported goods. The credits can also be transferred to other importers.

The RoDTEP rates would be notified shortly by the Department of Commerce, based on the recommendation of a Committee chaired by Dr. G.K. Pillai, former Commerce and Home Secretary. The final Report of the Committee is expected shortly. An exporter desirous of availing the benefit of the RoDTEP scheme shall be required to declare his intention for each export item in the shipping bill or bill of export. The RoDTEP shall be allowed, subject to specified conditions and exclusions. The notified rates, irrespective of the date of notification, shall apply with effect from 1st January, 2021 to all eligible exports of goods.

RM/KMN

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Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme implemented

In continuation of press release, dated the 31st December, 2020, regarding implementation of Remission of Duties and Taxes on Exported Products (RoDTEP) from the 1st January, 2021, it is further stated that the following shall be notified/made public shortly:

- i. The details of export goods (tariff lines) eligible for RoDTEP scheme
- ii. The applicable RoDTEP rate, value caps (wherever applicable) on such eligible goods/tariff lines
- iii. The excluded category of exports
- iv. Other conditions and restrictions
- v. The procedural details for grant of RoDTEP duty credit, and utilisation thereof.

The benefit of RoDTEP would be available subject to the conditions, restriction, exclusions, ineligibility and fulfilment of the procedural requirements as notified. On exports, eligible for RoDTEP, as per the Scheme details, the RoDTEP benefit shall be available from 1st January, 2021, even if the rates and other details are prescribed later, within next few days.

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