RoDTEP - A wake-up call

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SEPTEMBER 15, 2020

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FOR Promotion of Exports India has Framed various types of Schemes to Rebate or Refund the Taxes. Currently available Schemes are Merchandise Export from India Scheme (MEIS), Advance Authorization Scheme, Export Promotion Capital Goods Scheme (EPCG) and Duty Drawback Scheme.

All these **Export Promotion Schemes were framed under premise of Neutralizing Incidence of Taxes based on Universally Accepted cardinal Principles of trade is that Taxes Should Not be Exported,** otherwise it may adversely Influence the commodity Price and may lead to un-competitiveness in the Global Market.

Certain Taxes / Duties / Levies Not Being Refunded:

At present, GST Taxes and Import / Customs Duties for Inputs Required to Manufacture Exported Products are either Exempted or Refunded.

However,
there are certain taxes / duties / levies, at different stages at the central, state and local level, which are incurred in the process of manufacture and distribution of exported proÂ-ducts but are not being refunded under any mechanism currently in practice.

Moreover, in the wake of complaints filed by USA against India to discontinue export incentive scheme (like MEIS) citing these schemes tantamount to subsidy, which is **not in compliance with WTO guidelines,**
and subsequent ruling of Dispute Resolution Panel (DRP) of World Trade Organization (WTO) that India's export subsidy schemes **violate global trade norms** and therefore **asked to withdraw**.

Abiding by the Ruling, **the Countdown is started to scrap MEIS Scheme by end Dec' 2020.**

Refund of Certain Un-refunded Taxes or Duties

The scheme to refund certain un-refunded taxes or duties [levied at the State and Central level], was notified by the Ministry of Textiles for the readymade garments and made-ups in March, 2019 in the name of Rebate of State and Central Taxes and Levies- RoSCTL.

The Government is now contemplating to formulate a new Scheme to cover other export sectors also under a similar framework so as to refund un-refunded taxes or duties/ levies, not exempted or rebated at present by any other mechanism.

Under the WTO rules, certain duties like state taxes on power, oil, water, transportation, and other cesses and local levies are allowed to be refunded.

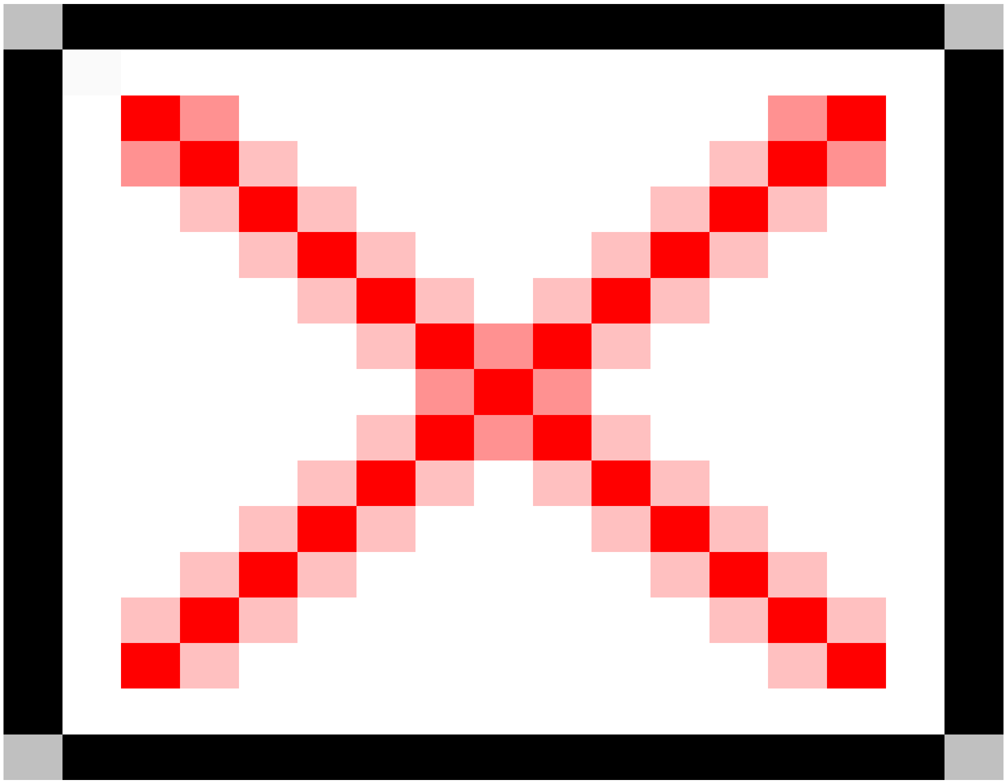
New Scheme Remission of Duties or Taxes on Export Products' (RoDTEP) Introduced

In view of these developments, it is necessitated to Properly Protect the Interests of the Exporters, and make them Competitive in the Global Market, Hon'ble Finance Minister in her Budget Speech on 1st February 2020 had announced that scheme for
"Reversion of duties and taxes on export product" will be launched this year to boost exports to international markets.Â

Consequently, the Cabinet Committee on Economic Affairs, chaired by Hon'ble Prime Minister, Shri Narendra Modi, has given its approval on 13th March, 2020 for introducing the New Scheme '**Remission of Duties or Taxes on Export Products' (RoDTEP)**.

Under the scheme an inter-ministerial committee will be set up to determine the rates and items for which the reimbursement of taxes and duties would be provided.

The contours of the proposed new Scheme for Remission of Duties and Taxes on Exported products (RoDTEP) are being detailed out and will be notified separately after approval of the competent authority.



Objectives of the RoDTEP Scheme

- To make Indian exports cost competitive and create a level playing field for exporters in International market;

- To boost better employment opportunities in export-oriented manufacturing industries.

- The scheme being framed in accordance with WTO guidelines.

ÂSalient features of the RoDTEP Scheme:

- Benefit would be provided on certain taxes / duties / levies (other than GST) levies at the central, state and local level, which are not refunded for exports, such as, VAT, Central Excise Duties on Fuel used for Transportation, Natural Gas used in certain Industries, Mandi Tax, Duty on Electricity, Compensation Cess on Coal for Captive Power used during manufacturing etc.

- New scheme aims at creating an Electronic Credit Ledger in the customs system which enables Digital Refund to Exporters.

- The Refund would be claimed as a percentage of the Freight on Board (FOB) value of exports.

- Merchandise Exports from India Scheme (MEIS) benefits would be discontinued on such tariff line / item for which benefit under RoDTEP Scheme is announced.

- This scheme will incentivise exporters at an estimated cost of Rs. 50,000 crores to the exchequer.

Seeking the Data in the Prescribed Formats from the Industry & Exporters

- The government has formed a committee to determine ceiling rates under the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme. The panel has been tasked with evolving a mechanism for calculation of duties at the central, state and local level which are borne by exporters so that they can be refunded all the taxes paid on goods and services used in export but are currently not being reimbursed under extant mechanisms.

- There are 3 formats / proformas which are required to be filled separately for each export product by a manufacturing / exporting unit.

- The Sector wise details, Rates & Rate Caps and other aspects are yet to be provided and it is widely expected to be notified separately after collection of data from Industry & Exporters.

- The sequence of introduction of the RoDTEP Scheme across sectors, prioritization of the sectors to be covered, degree of benefit to be given on various items within the rates set by the Committee will be decided and notified by the Department of Commerce (DoC).Â

- It may be ensured that only taxes/ levies/ duties borne on the exported product
which are at present not getting refunded/ reimbursed under any other mechanism
are counted while calculating the tax incidence on the exported product.

- The data provided should pertain to those manufacturers / units who agree to have their records and production processes inspected by the Government for the purpose of verification. Verification of data / processes would be undertaken by DGFT, if required.

Opportunity for Exporters - Wakeup Call

This is an Excellent Opportunity for Exporters to get their Genuine Claims in a very Legitimate Manner & WTO Compliant way for their Exports.

This Opportunity is available mainly as a replacement to MEIS Scheme which is being withdrawn by end Dec' 2020. Considering limited time Frame the intention of the Authors is to draw attention of Exporters and Manufacturers, Associated Trade Bodies to create a sense of urgency, and get this Opportunity to convert as a Competitive Advantage of Indian Products in the Global Market.

Collaborative approach to technically analyze the value chain, assess WTO impact and suggest compliant mechanism so that as a country we do not export ***"Local Taxes"*** and establish good export market for our goods and services is the key for #***AtmanirbharBharat.***

Authors can provide consulting and hand-holding support to large Industry bodies, Export Promotion Councils, Trade bodies, Corporations, chambers and association to examine the value chain, compare data-sets, benchmarking studies and design FOB based mechanism useful for the policy makers to consider in the overall interest of Industry and country.

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