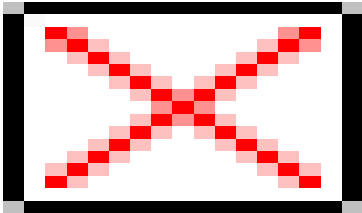


RoDTEP - A well-conceived Scheme

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Promotion of Exports India has Framed various types of Schemes to Rebate or Refund the Taxes. Currently available Schemes are Advance Authorization Scheme, Export Promotion Capital Goods Scheme (EPCG), Duty Drawback, EOU Scheme & SEZ 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 Goods or Services can be Exported, but Taxes should Not be Exported. Otherwise, it may adversely Influence the commodity Prices and may lead to un-competitiveness in the Global Market.

Merchandise Export from India Scheme (MEIS), is a scheme designed to provide rewards to exporters to offset infrastructural inefficiencies and associated costs but it is not a Tax Neutralization Scheme simply because

Certain Taxes / Duties / Levies in the Value Chain are not Being Refunded:

At present, GST Taxes and Import / Customs Duties for Inputs Required to Manufacture Exported Products are either Exempted or Refunded through Various Schemes Like Advance Authorization, DFIA, Duty Drawback etc.

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 products 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 Organisation (WTO) that India's export subsidy schemes violate global trade norms and therefore asked to withdraw.

Abiding by the Ruling, the Government scrapped MEIS Scheme which was ended by 31st Dec'2020.

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

The Government has now formulated a new Scheme to cover all the export sectors to refund un-refunded taxes or duties / levies, not exempted or rebated at present by any other mechanism currently in practice.

Remission of Duties or Taxes on Export Products (RoDTEP) is a scheme for the Exporters to make Indian products cost-competitive and create a level playing field for them in the Global Market by Refund un-refunded or unrebated Taxes or Duties / Levies, not Exempted or Rebated at Present by any other Mechanism.

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

This Scheme will Not only Replace the Current Merchandise Exports from India Scheme (MEIS), which is not in compliance with WTO norms and rules, but goes beyond it to Refund un-refunded Taxes or Duties / Levies as discussed above.

The newÂ RoDTEPÂ is a well-Conceived & Intended Scheme - fully WTO compliant and need of the hour in this critical juncture in view of Exit of MEIS.

Salient 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:

State Levies

- VAT on fuel used in transportation; VAT on fuel used in generation of power; VAT on fuel used in farm sector (for farm products only); Mandi Tax; Duty on electricity charges; Stamp duty on export documents; Embedded SGST paid on inputs such as pesticides, fertilizers etc. used in production of agriculture goods; Embedded SGST in purchases from unregistered dealers; Embedded SGST on coal used in production of electricity; Embedded SGST on inputs for transport sector;

Central Levies

- Central Excise duty on fuel used in transportation; Embedded CGST paid on inputs such as pesticides, fertilizer etc. used in production of required raw materials; Embedded CGST in purchases from unregistered dealers; Embedded CGST and Compensation Cess on coal used in production of electricity; Embedded CGST on inputs for transport sector

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

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

Advisory for RoDTEP (**Remission of Duties and Taxes on Exported Products**) Incentive Scheme

Government Issued an Advisory on 1st Jan'2021

A new scheme, RoDTEP (Remission of Duties and Taxes on Exported Products) has been launched by the government for exporters. The scheme provides for rebate of Central, State and Local duties/taxes/ levies which are not refunded under any other duty remission schemes. The broad provisions are as under:

- To avail the scheme exporter shall make a claim for RoDTEP in the shipping bill by making a declaration.
- Once EGM is filed, claim will be processed by Customs.
- Once processed a scroll with all individual Shipping Bills for admissible amount would be generated and made available in the users account at ICEGATE,
- User can create RoDTEP credit ledger account under Credit Ledger tab. This can be done by IECs who have registered on ICEGATE with a DSC.
- Exporter can log in into his account and generate scrip after selecting the relevant shipping bills.

As of now the users can log into their ICEGATE account and create the RoDEP Credit Ledger Account, as scrip generation provision will be made functional on the issuance corresponding notification by the department and availability of the budget. Implementation of scheme in Custom Automated System has been developed.

- W.e.f. 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. Since the final list of RITC codes eligible for RoDTEP scheme and the corresponding rates are yet to be notified by the Government, this declaration has been made mandatory for all items in the Shipping Bill starting 01.01.2021.

- Unlike Drawback, there is no separate serial numbers based on a schedule for claiming RoDTEP. RoDTEP rates will be notified as per the RITC Code and therefore, there will be no need to declare any separate code or schedule serial number for RoDTEP.

No Specific Claim in Shipping Bill - No RoDTEP

It may be noted that if RODTEP is not specifically claimed in the Shipping Bill, no RoDTEP would accrue to the exporter. Even though the items and rates are not notified the Government for RoDTEP yet, the exporters must indicate their intent for claim at the time of Shipping Bill filing itself. Once the rates are notified, System would automatically calculate the RoDTEP amounts for all the items where RODTEPY was claimed. No changes in the claim will be allowed after the filing of the EGM.

Checks on RoDTEP : No Benefit for Advance Authorization, EOU, Jobbing, SEZ etc

There are some checks built in the System to disallow RoDTEP benefit where the benefit of certain other schemes like Advance Authorization, EOU, Jobbing etc. has been availed. While some checks have been built in within the System at the time of filing the Shipping Bill, it is assumed that if the exporter (or the authorized Customs Broker) has submitted the statement as mentioned in para 2(b) with the Shipping Bill, the claim to RoDTEP has been made with the undertaking that no undue benefit would be availed.

Issues & Suggestions:

1. The Scheme is Introduced without announcing Rates. Generally, Exporters Factor all Export Benefits, while working Export Prices to be Competitive in the International Market. Therefore, without knowing RoDTEP Rates Exporters are finding it Difficult to workout Export Prices. Government should come out with the Proposed Rates Immediately.

2. By putting some built-in checks in the System to disallow RoDTEP benefit where the benefit of certain other schemes like Advance Authorization, EOU, Jobbing, SEZ etc. are illogical as the Objective of the scheme is to refund, all the un-refunded taxes or duties / levies , Embedded in the Entire Value Chain, those are not exempted or rebated at present by any other mechanism currently in practice

. In the present under various schemes like Advance Authorization, EOU, Jobbing, SEZ etc. Taxes / Duties on only immediate (First Tier) Inputs are being Exempted and not other incidents of Taxes in the Entire Value Chain beyond First Tier. So the Rates proposed under RoDTEP are Mutually Exclusive basis with other Schemes, therefore the Benefits of RoDTEP should be allowed to Exporters availing Advance Authorization, EOU, Jobbing, SEZ etc. Some mechanism can be devised to avoid the overlap or double counting but denying RoDTEP will defeat the whole purpose of making exports free of hidden and unrebated taxes in the value chain.

3. The Scheme is introduced without Prior issue of Gazette Notification detailing the Objectives, Coverage & Procedures leading to Confusions. Only the Advisory & Press Notice were issued on 1 st Jan'2021 without giving opportunity to trade to understand the Scheme & avail the benefit.

If the RODTEPY is not specifically claimed in the Shipping Bill, no RoDTEP would accrue to the exporter. Many Exporters missed to Claim, since no prior information. Therefore, those who are not claimed specifically in Shipping Bill w.e.f 1st Jan'2021 also shall be allowed to Claim latter by amending the Shipping Bills.

Experts are talking about India becoming factory of world by 2030, it means our exporters can create jobs for our youth by competing in the international market, RoDTEP is a thoughtful scheme but it should not become ineffective for exporters due to delays in implementation of rates and competing with other mutually exclusive schemes.

[The views expressed are strictly personal.]

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