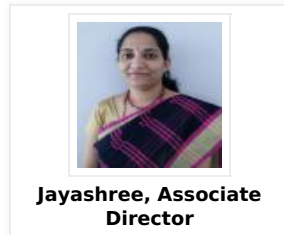


## RoDTEP Scheme - A Snapshot

**Date : August 23 2021**



### BACKGROUND

The USA had challenged validity of various export incentives and schemes offered by India at the World Trade Organisation ('WTO') forum. The dispute settlement body of WTO ruled that such incentives and schemes are not WTO compliant and India should modify / phase them out.

While India has gone into appeal against the ruling which is pending, the Government decided to discontinue the Merchandise Exports from India Scheme ('MEIS') prescribed under the Indian Foreign Trade Policy ('FTP'). In September 2019, Finance Minister announced that RoDTEP would replace MEIS and assured that benefits similar to MEIS would be made available under the RoDTEP also. The Scheme shall further adhere to the WTO guidelines in relation to exports and India shall be treated as fully compliant with international trade practices.

The notification has now been issued on August 17, 2021, bringing the Scheme into retrospective effect from January 01, 2021, the date when MEIS was discontinued.

### KEY ASPECTS OF THE SCHEME

**The key aspects of the Scheme, read with the guidelines notified are summarized below:**

- The Scheme is made effective for exports made from January 01, 2021.
- The Scheme has been formulated with the objective of refunding the Central, State and local taxes, levied on the manufacture and distribution of exported products, which are non-refundable as of now such as coal cess, Central Excise duty on fuel and so on.
- Benefit under this Scheme would be computed as a percentage on the Free-on-Board ('FOB') value of exports made. The Scheme also puts a cap on benefit per unit exported for certain category of goods.
- The rates, as well as cap, if any, have also been notified. These typically range from 0.5% to 4.3% across eight thousand plus product based HSN classifications. These rates are proposed to be reviewed annually and notified at the beginning of each financial year.
- The rewards under this Scheme are proposed to be issued in the form of electronic transferable scrips. The details of e-scrips granted/ utilised/ transferred etc. would be maintained in an electronic ledger by the Government.
- E-scrips can only be used for payment of Basic Customs Duty ('BCD').
- Like other export related benefits under the FTP, forex realisation within the time limits prescribed under the FEMA law is applicable to the new Scheme as well. This condition need not be satisfied at the time of granting scrips, if adequate time for realisation is available under the law.
- Certain categories of exports are specifically identified and notified as ineligible category under this scheme viz. import for exports, sales by DTA to SEZ/FTWZ, exports by Export Oriented Units ('EOUs'), exports which are prohibited/restricted, exports against Advance Authorisation or Duty Free Import Authorisation or Special Advance Authorisation etc.. However, it has also been clarified that inclusion of some of these under the Scheme will be decided in future by the RoDTEP Committee.

### PROCEDURE FOR FILING THE CLAIM

- Similar to MEIS declaration on the shipping bill, declaration to opt for benefit under RoDTEP shall also be provided in the Shipping Bills
- Rules, procedures, manner, time period for application and maintenance of records for the claims made under the Scheme are yet to be notified.

### OUR VIEWS

The principle behind the Scheme is that taxes and duties should not be exported but rather be exempted or remitted back to exporters. This would make the exports competitive in the international markets. The guidelines so notified along with the rates now puts to rest the uncertainty exporters were facing since the discontinuance of MEIS from January 01, 2021. While the rates, by and large, as notified under this Scheme are less than the range bracket under the discontinued MEIS, they are

subject to an annual review by the Committee. Exporters should now be evaluating the impact of this Scheme on their pricing, together with the other incentive schemes, if any, for their sectors.