



ERGO

Analysing developments impacting business

REMISSION OF DUTIES AND TAXES ON EXPORTED PRODUCTS (RODTEP)

27 August 2021 **Introduction**

The Remission of Duties and Taxes on Export Products Scheme ("RoDTEP") is a new scheme that is formed to replace the Merchandise Exports from India Scheme (MEIS). MEIS was one of the schemes introduced under chapter 3 of the Foreign Trade Policy 2015-20 (FTP) with the objective 'to provide rewards to exporters to offset infrastructural inefficiencies and costs'. However, MEIS was successfully challenged by US at the WTO Dispute Settlement Body and is effectively being replaced with RoDTEP.

With an objective to establish a WTO-compliant export subsidy scheme, RoDTEP was [notified](#) and made operational by the Ministry of Finance (MoF) with effect from 1 January 2021. However, the much-awaited rates under RoDTEP were finally notified *vide* [Notification No 19/2015-20](#) dated 17 August 2021 (Rates Notification). The Rates Notification lays down guidelines, objectives and operating principles for RoDTEP under chapter 4 of the FTP along with rate of remission for products per [appendix 4R](#) of FTP.

RoDTEP is created for reimbursing taxes / duties / levies at the central, state, and local level, which are incurred in the process of manufacture and distribution of exported products, but which are currently not being refunded under any other mechanism or scheme. However, there will be no reimbursement of duties already exempted, remitted or credited.

Product Coverage of RoDTEP and Applicable Incentives

FTP prescribes that benefit shall be granted as fixed percentage of FOB(defined this or use full form) value of export goods with value cap per unit on some products. For certain products, benefit shall be granted as fixed amount per unit.

SI No	Tariff Chapters*	Description	Range of RoDTEP rates
1.	03 to 23	Fish, dairy, eggs, animal skins, roots, plants, vegetables, fruits, fruit extract, tea, coffee, dried leguminous vegetables, millets, flour, lac, gum, animal fats, oil, cocoa items, juices, essence, concentration, beverages, and other food preparations	0.5% - 4%

2.	32 to 49	Products of the chemical or allied industries (from chapters 32 to 38) and plastics and articles thereof, raw hide and skins, travel goods etc., wood and articles of wood, pulp of wood etc.	0.5% - 2.4%
3.	50 to 60	Textiles and textile articles (other than chapters 61 to 63)	0.5% - 4.3%
4.	64 to 67	Footwears, headgears, umbrellas, artificial flowers and articles of human hair	0.5% - 1.3%
5.	68 to 70	Articles of stone, plaster, cement etc.	0.5% - 2.3%
6.	71	Natural or cultural pearls	0.01% - 0.5%
7.	74 to 81	Base metals and articles of base metal (other than chapter 82 and 83)	0.3% - 2.3%
8.	82 to 85	Base metals and articles of base metal (chapter 82 and 83) and machinery and mechanical appliances	0.3% - 2.2%
9.	86 to 89	Vehicles, aircraft, vessels and associated transport equipment	0.5% - 2%
10.	90 to 98	Medical & photographic instruments, clocks and watches, arms and ammunitions, furniture items, toys and games, miscellaneous manufacturing articles and lab chemicals	0.01% - 1%

Exclusions

It is pertinent to note that chapters 01 to 02 (live animals, meat and meal offal), chapters 24 to 31 (tobacco, mineral products, products of the chemical or allied industries), and chapters 72 to 73 (iron, steel and items thereof) have been excluded from the rates notification. Further, chapters 61 to 63 are benefited under Rebate on State and Central Taxes and Levies Scheme (RoSCTL) and also excluded from the rates notification.

Though, the rates have been notified from 17 August 2021, the benefits under RoDTEP will be effective from 1 January 2021 with the exception that exports by Export Oriented Units (EOU), Free Trade Zones (FTZ) / Export Processing Zones (EPZ) / Special Economic Zones (SEZ) unit and by Advance Authorisation / Duty-Free Import Authorization (DFIA) / Special Advance Authorization (SIA) holders may be subsequently included in RoDTEP and applicable rates will be decided by RoDTEP committee.

Para 4.55 of the FTP provide that all exports are eligible for RoDTEP, except the following:

- Export of imported goods covered under paragraph 2.46 of FTP
- Exports through trans-shipment
- Export goods subject to minimum export price or export duty
- Goods restricted / prohibited for export under Schedule 2 of Export Policy in ITC (HS)

- Deemed Exports
- Supplies of goods manufactured by Domestic Tariff Area (DTA) units to SEZ / Free Trade Warehouse Zone (FTWZ) units
- Goods manufactured in Electronic Hardware Technology Park (EHTP) and Bio-Technology Park (BTP)
- Goods manufactured partly or wholly in warehouse under Section 65 of the Customs Act, 1962
- Goods manufactured or exported by 100% EOU
- Goods manufactured or exported by units in FTZ or EPZ or SEZ
- Goods manufactured or exported by availing benefit under Notification No 32/1997-Customs dated 1 April 1997 (Jobbing Notification)
- Exports for which electronic documentation in ICEGATE EDI is not generated
- Exports from non-EDI ports
- Goods taken into use after manufacture (used goods)
- Goods manufactured or exported in discharge of export obligation against AA or DFIA or SIA

Governance

The FTP provide that RoDTEP will operate based on budget allocated by MoF and the Department of Commerce (DoC) will review rates on annual basis and notify them before commencement of every financial year (FY) as well as decide the sequence of introduction of RoDTEP across sectors, prioritization of sectors, degree of benefit, ceiling within prescribed rates, etc.

The FTP prescribes refund of benefits received along with imposition of penalty in cases where foreign exchange is not realised, and suspension and withholding of RoDTEP in case of frauds and misuse. Detailed provisions for the same are yet to be notified by the Central Board of Indirect Taxes and Customs (CBIC).

Exporters are mandatorily required to indicate in their shipping bill whether or not they intend to avail RoDTEP on their exports. No benefit will accrue if claim is not made in the shipping bill. Further, no changes will be allowed after filing of export general manifest.

The IT based system will process the declarations made in shipping bill and forward it to Risk Management System (RMS). The claim will either be processed by the officer for examination or will be facilitated without intervention upto the issue of scroll.

The claim will be available with the exporter as credits on ICEGATE once the scroll is generated. Exporter can generate duty credit scrips and it will be available for utilization in paying basic custom duty during import or transfer it to another IEC holder.

Concluding thoughts

RoDTEP was expected to lead to the cost competitiveness of exported products in international markets and lead to better employment opportunities in export-oriented manufacturing industries. However, exclusion of key export sectors such as steel, chemicals and pharmaceuticals from the scheme appears counterproductive. Further, the pretext that said products have performed well without incentives may be counterintuitive with the

objective of the scheme itself and also prejudicial to Micro, Small and Medium Enterprises exporters and fragmented industry constituents. Further, exporters can claim RoDTEP benefit along with duty drawback but not with AA, however, a tangible explanation for the differential treatment of benefits is lacking.

For businesses contemplating RoDTEP, it will be prudent to undertake a detailed evaluation of all available incentives and compliance requirements to avoid complications such as double benefit, etc. Exporters trading goods through EOU / FTZ / EPZ / SEZ unit should apply procedures to ensure that the benefit for the prior periods is not extinguished.

Since RoDTEP is driven by budgeted outlay resultantly, exporters do not have any certainty on getting benefit at prescribed rates as there may be rate reductions on account of budget allocation or prioritization of sectors.

Exporters can consider making representations for issues such as exclusion of products from RoDTEP, rate enhancement, procedural requirements, etc. so as to optimally gain from the benefit of the scheme.

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