



## TAX UPDATE

### **Guidelines and Rates for the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme**

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**This Tax Alert summarizes the guidelines and rates for the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme.**

#### **The key takeaways are:**

1. The scheme will be effective for exports made from 1 January 2021.
2. Rebate would be granted to eligible exporters at the notified rate as a percentage of Free on Board (FOB) value with a value cap per unit of exported product, wherever required.
3. Receipt of sale proceeds within the time allowed under the Foreign Exchange Management Act, 1999 (FEMA) is mandatory.
4. Rebate amount shall be granted in the form of a transferable duty credit/ electronic scrip (e-scrip), which will be maintained in an electronic ledger.
5. The scrips can be used only for payment of Basic Customs Duty (BCD).
6. Categories of exports/ exporters not eligible for rebate under the scheme have also been notified vide Notification no. 19/2015-2020 dated 17 August 2021.

#### **Background**

- The Cabinet Committee on Economic Affairs had given its approval for introducing the scheme for Remission of Duties and Taxes on Exported Products (RoDTEP) in March 2020
- The scheme, replacing the Merchandise Export from India Scheme (MEIS), aims at creating a mechanism for reimbursement of taxes, duties and levies at the central, state and local level, that were earlier not rebated / refunded.
- As per the Press Release dated 31 December 2020, the benefit of RoDTEP scheme shall be allowed on all export goods with effect from 1 January 2021.

## **Scheme objective and operating principles**

- The objective of the scheme is to refund the following duties or taxes which are currently not being refunded:
  - Duties/ taxes/ levies at the central, state and local level, borne on the exported product, including prior stage cumulative indirect taxes on goods and services used in the production of the exported product, and
  - Such indirect duties/ taxes/ levies in respect of distribution of exported product.
- Rebate shall not be available in respect of duties and taxes already exempted or remitted or credited.
- Under the scheme, a rebate would be granted to eligible exporters at the notified rate as a percentage of FOB value with a value cap per unit of the exported product, wherever required. However, for certain export items, a fixed quantum of rebate amount per unit may also be notified. The rates and value cap have been notified in Appendix 4R.
- The overall budget for the scheme would be finalized by the Ministry of Finance in consultation with the Department of Commerce (DoC). The scheme will operate in a budgetary framework for each financial year. Necessary calibrations and revisions shall be made to the scheme benefits, as and when required.
- The rebate allowed will be subject to the receipt of sale proceeds within time allowed under the FEMA Act, failing which, such rebate shall be deemed never to have been allowed.

## **Issuance and nature of Rebate**

- The rebate amount will be granted in the form of a transferable duty credit/ electronic scrip (e-scrip), which will be maintained in an electronic ledger by the CBIC.
- The scrips would be used only for payment of duty of Customs leviable under the First Schedule to the Customs Tariff Act, 1975 i.e. Basic Customs Duty.
- Necessary rules and procedure regarding grant of RoDTEP claim and implementation issues (including manner of application, time period for application and other matters) would be notified by the Central Board of Indirect Taxes and Customs ('CBIC') on an IT enabled platform.
- Provisions for recovery of rebate amount where foreign exchange is not realized, suspension/ withholding of RoDTEP in case of frauds and misuse, as well as imposition of penalty will also be built suitably by CBIC.

## **Ineligible supplies under the scheme**

- The following categories of exports/ exporters shall not be eligible for rebate under the scheme:
  - Export of imported goods covered under paragraph 2.46 of FTP (import for export) Exports through trans-shipment
  - Export products which are subject to minimum export price or export dut
  - Products which are restricted/ prohibited for export
  - Deemed Exports 4 Notification no. 19/2015-2020 dated 17 August 2021
  - Supplies of products manufactured by units in Domestic Tariff Area to Special Economic Zone (SEZ)/ Free Trade Warehousing Zone (FTWZ) units
  - Products manufactured in Electronic Hardware Technology Park (EHTP) and Bio-Technology Park (BTP)
  - Products manufactured partly or wholly in a customs warehouse
  - Products manufactured or exported availing the benefit of the Notification no. 32/1997-Customs dated 1 April 1997 (imports for job work)

- Exports for which electronic documentation in ICEGATE electronic data interchange (EDI) has not been generated / Exports from non-EDI ports
- Goods which have been taken into use after manufacture
- Products manufactured or exported in discharge of export obligation against an Advance Authorization (AA) or Duty Free Import Authorization (DFIA)
- Products manufactured or exported by 100% Export Oriented Unit
- Products manufactured or exported by any of the units situated in Free Trade Zones or Export Processing Zones or SEZ
- Inclusion of exports made by EOU, SEZ and AA/ DFIA holder and RoDTEP rates for such categories would be decided based on the recommendations of the RoDTEP Committee.

### Monitoring, Audit and Risk Management System

- For the purposes of audit and verification, the exporter would be required to keep records substantiating claims made under the scheme.
- A monitoring and audit mechanism with an IT based Risk Management System would be put in place by the CBIC to physically verify the records of the exporters on sample basis.

### Residual Issues

- Residual issues related to the scheme arising subsequently shall be considered by the “RoDTEP Policy Committee”, whose decisions would be binding.

### Comments

- The scheme, which covers around two-third of the export of the country, is likely to help in easing the liquidity of the exporters, ensuring predictability and stability. Prescription of rates may also help them in determining the competitive export prices.
- It is relevant to note that export of certain products including steel, chemicals and pharmaceuticals are not covered under the scheme.
- The budgeted allocation under RoDTEP is much lower as compared to the government’s annual outlay under MEIS that has been replaced.
- Benefit of RoDTEP scheme if considered for exports made by EOUs, Advance Authorisation holder, SEZ unit and customs warehouse, may boost the export industry.



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