

LOW OUTLAY FINANCIAL EXP 18.08.21  
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# RoDTEP scheme has exporters worried

Scheme brings predictability & wider coverage, but caps benefits

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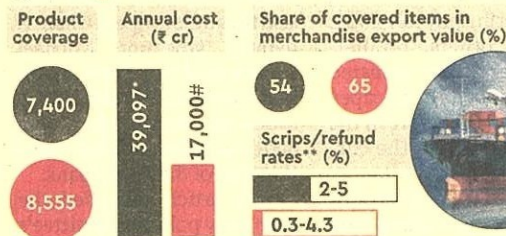
**THE GOVERNMENT ON** Tuesday notified tax refund rates under the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme that will cover as many as 75% of tariff lines, ending months of uncertainties over the actual coverage and magnitude of relief under the programme. The rates will be in the range of 0.3-4.3% of the freight-on-board value of the exported products.

However, while the programme will cover 8,555 items (tariff lines), over a thousand more than the Merchandise Exports from India Scheme (MEIS) that it has replaced, the allocation for it is less than a half of what was the government's annual outgo under the MEIS.

Of course, both the schemes are not strictly comparable (the MEIS was an incentive programme). But the RoDTEP roll-out will effectively reduce the benefits for most exporters, as

## HOW THEY STACK UP

● MEIS ● RoDTEP



₹19,400 cr

Total outlay for RoDTEP and RoSCTL from January 2021 to March 2022

\*FY20; #FY22, including RoSCTL (according to an industry estimate);  
\*\*Of FoB value of exported products

Note: MEIS and RoDTEP are not strictly comparable schemes but aid for exporters under the new regime much lower than the one it replaces



Government notifies RoDTEP Scheme (to) boost exports by creating a level playing field for exporters...Will enable 'zero-rating' of exports for building an 'Aatmanirbhar Bharat'.

—PIYUSH GOYAL, COMMERCE MINISTER



they gear up to take advantage of a resurgence in global trade in the aftermath of the pandemic.

The steel, pharma and chemicals sectors have been kept out of the RoDTEP ambit, commerce secretary BVR Subrahmanyam said, given that exports from these sectors are faring relatively well. This has

upset exporters of these products. Similarly, engineering goods firms, accounting for about a fourth of merchandise exports, have complained that taxes embedded in primary input (steel) are not factored in the RoDTEP rates for them.

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## Low outlay: RoDTEP scheme has exporters worried

This will make it difficult for them to realise the ambitious \$107-billion engineering goods export target for FY22, according to EEPIC India chairman Mahesh Desai.

The government has now allocated ₹19,400 crore for both its tax refund schemes — Rebate of State and Central Taxes & Levies (RoSCTL) scheme for garment and made-up exporters and RoDTEP for most others — to cover obligations from January 2021 to March 2022. For FY22 alone, the allocation could be around ₹17,000 crore, higher than the budgetary outlay of ₹13,000 crore, a source said.

Importantly, much to the dismay of exporters, the scheme won't be an open-ended one. As per the notification, projected remissions for each year will have to be managed within the approved budgetary outlay. The budgetary allocation will be fixed by the revenue department in consultation with its commerce counterpart.

Exporters have already cautioned that any inadequate remission will compound a Covid-induced liquidity crunch and erode their competitiveness in the global market when demand from key economies is reviving. Nevertheless, many exporters have hailed the notification, saying it, at least, signals predictability in the country's tax refund regime for them.

The RoDTEP scheme is supposed to reimburse various

## India asks US court to reject Cairn's \$1.2-billion lawsuit

That rule had been used to levy a cumulative of ₹1.10 lakh crore of tax on 17 entities, including ₹10,247 crore on Cairn. Officials said rules for withdrawal of such tax demands are in the process of being framed.

"One of the requirements for the dropping of the retrospective tax demands is that the parties concerned have to give an undertaking for withdrawal all cases against the government/tax department. So, while all this is in process, the government is



obligated to respond in any legal matter where there is a time bar for doing so," an official explained.

Cairn had challenged the tax demand before an international arbitration tribunal, which in December last year overturned the same and ordered India to refund the money collected.

The government initially refused to return \$1.2 billion, forcing Cairn to take action to recover that money via a seizure of Indian assets overseas. — PTI

embedded levies (not subsumed by the goods and services tax) paid on inputs used in exported products to make exports zero-rated.

The government had allocated ₹39,097 crore for MEIS in FY20, before drastically reducing it to ₹15,555 crore for the first three quarters of FY21 in the wake of the pandemic. Under the MEIS, the government used to offer eligible companies scrips in the range of 2-5% of the freight-on-board value of their exports, higher than the RoDTEP refund rates.

The government had initially wanted to replace the RoSCTL with the RoDTEP scheme and budgeted an outlay of ₹13,000 crore to cover both in FY22. But it junked the plan last month when it extended the validity of the RoSCTL by over three years.

In late July 2020, the government set up a committee

under former commerce secretary GK Pillai to recommend RoDTEP rates. The panel's report was then vetted by the departments of revenue and commerce.

After a roller-coaster ride last fiscal, exports have now crossed the pre-Covid (same months in 2019) levels for five straight months through July, suggesting that a trade recovery is taking roots on the back of improved economic growth prospects in key western markets. Already, the government has set a lofty merchandise export target of \$400 billion for FY22, against \$291 billion last fiscal.

Welcoming the notification, A Sakthivel, president of the exporters' body FIEO, said the much-awaited rates will "help in easing the liquidity of the exporters, ensuring predictability and stability, thus helping competitiveness of exports over a long-time horizon".