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NEWSFLASH

Long awaited RoDTEP rates and
guidelines notified

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Background

- The Government of India earlier on 01 January 2021 issued a press release for implementation of Remission of Duties and Taxes on Exported Products ('RoDTEP' or 'Scheme') from 01 January 2021 and accordingly, instructed the industries to start making declaration in the shipping bill for its intention to avail the benefit under the Scheme.
- Pursuant to implementation of the Scheme, exporters have been waiting for its formal introduction via a Notification. After a gap of almost 8 months of implementation, Scheme has been notified on 17 August 2021 by the Ministry of Commerce and Industry ('MoC') through the Department of Commerce ('DoC') vide Notification No. 19/2015-2020 dated 17 August 2021 ('Notification').
- The Notification provides for eligible products, rates and guidelines on export products. The Notification also specify products/ units which are not eligible for the benefit under the Scheme.
- The idea behind replacement of the erstwhile Merchandise Exports from India Scheme ('MEIS') with RoDTEP is principally to counter its challenge at the World Trade Organisation ('WTO') and, simultaneously provide remission to exporters to offset the non-creditable taxes.


Highlights of the Scheme

- The main objective of the Scheme is to refund duties, taxes, and levies on the exported products at the central, state, and local level including prior stage cumulative indirect taxes on goods and services used in the production of the exported products and such indirect duties, taxes, and levies in respect of distribution of the exported products.
- The rebate under the Scheme shall not be available in respect of duties and taxes already exempted or remitted or credited.
- The Scheme will operate under overall budget finalized by the Ministry of Finance in consultation with the DoC and framework will be determined for each financial year. No provision for remission of arrears or contingent liabilities is permissible under the Scheme to be carried over to next financial year.
- The sequence of introduction of the Scheme across sectors, prioritisation of the sectors to be covered and degree of benefit to be given on various items within the rates set by the committee and within the ceiling, as may be prescribed on the per item or total overall benefit amount permissible within the overall finalised budget or outlay, will be decided and notified by the DoC in consultation with the Department of Revenue ('DoR').
- Only eligible exporters would be granted rebate at notified rates as a percentage of Free on Board ('FoB') value with a value cap per unit of the exported product, wherever required, on export items which are categorised under the notified 8 digit HS Code. Also, for specified export products, a fixed quantum of rebate amount per unit may also be notified. RoDTEP rebate rates/ value cap per unit is notified *vide* Appendix R.


- From a budgetary control perspective, rates will be reviewed on an annual basis and notified in advance before the beginning of the Financial Year.
- The rebate allowed is subject to the receipt of sale proceeds within the prescribed time limit allowed under the Foreign Exchange Management Act, 1999 ('FEMA'), failing which such rebate shall be deemed to have never been allowed. However, the realisation of export proceeds will not be a pre-condition at the time of grant of rebate. Adequate safeguards to avoid any misuse on account of non-realisation and other systemic improvements as in operation under Drawback Scheme, IGST and other GST refunds relating to exports would also be applicable claims under the Scheme.
- The exporter would be required to maintain records substantiating claims made under the Scheme.
- Residual issues related to the Scheme that arise subsequently are to be considered by an inter-ministerial committee, called the 'RODTEP Policy Committee', chaired by the DGFT (comprising members of the DoC and the DoR), whose decisions would be binding.
- The rebate will be issued in the form of Electronic Transferable Duty credit or Electronic Scrip (e-scrip) which would be maintained in an electronic Ledger by CBIC.
- Necessary rules and procedure regarding grant of RoDTEP, including manner and time period of application, export realisation, export documentation, sampling procedures, record keeping etc., would be notified by the CBIC *via* an IT-enabled platform.
- Provisions for recovery of rebate amount where foreign exchange is not realised, suspension or with holding of RoDTEP in case of frauds and misuse, as well as imposition of penalty will also be built suitably by CBIC.
- The e-scrips would be used only for payment of duty of Customs leviable under the First Schedule to the Customs Tariff Act, 1975 *viz.* Basic Customs Duty. It cannot be used for any other duties of customs or GST for that matter.

Ineligible Supplies/ Items/ Categories under the Scheme


Following categories of exports/ exporters shall not be eligible for rebate under RoDTEP:




Products manufactured or exported by a hundred per cent Export Oriented Unit (EOU).



Supplies of products manufactured by Domestic Tariff Area (DTA) units to Special Economic Zone (SEZ)/ Free Trade Warehousing Zone (FTWZ) units.



Products manufactured or exported by any of the units situated in FTWZ or Export Processing Zones or SEZ.



Products manufactured partly or wholly in a warehouse under section 65 of the Customs Act, 1962.



Products manufactured or exported against an Advance Authorization or Duty Free Import Authorization, or Special Advance Authorization.



Export of imported goods covered under paragraph 2.46 of Foreign Trade Policy. It pertains to goods imported for the purpose of export, shall not be entitled for any specific incentives per se. continuing the same trend, RoDTEP is not made available to the class of exporter who have imported for export.



Exports through trans-shipment, meaning thereby exports that are originating in third country but trans-shipped through India.



Export products which are subject to Minimum export price or export duty.



Products which are restricted for export under Schedule-2 of Export Policy in ITC (HS).



Products which are prohibited for export under Schedule-2 of Export Policy in ITC (HS).



Deemed Exports are not entitled for RoDTEP Scheme. Deemed exports are considered as exports for many purposes but are not physically exported out of India. RoDTEP as a Scheme is meant for produce that are physically exported out of India.



Products manufactured in Electronic Hardware Technology Parks (EHTP) and Bio-Technology Parks (BTP).



Products manufactured or exported availing the benefit of the Notification No. 32/1997- Customs dated 1st April 1997 i.e., goods imported into India for execution of an export order and in basic parlance, cross border job work.



Exports for which electronic documentation in ICEGATE EDI has not been generated/ Exports from non-EDI ports.



Goods which have been taken into use after manufacture.

Further, it has been provided that the future inclusion of exports made against Advance Authorisation, Duty Free Import Authorisation, Special Advance Authorisation or by units in an EOU, SEZ or FTWZ, including rates, would be decided based on the recommendations of the RoDTEP Committee.

Broad product coverage and prescribed rates

Tariff Range	Broad Description	RoDTEP Rate
01 to 02	Live Animals, Animal Products, Meat and Edible Meat Offal	Not covered
03 to 23	Fish, Crustaceans, Dairy Products, Products of Animal Origin, Live Trees, Other Plants, Edible Vegetables, Fruits, Nuts, Coffee, Cereals, Products of milling industry, Oil Seeds, Vegetables Saps, Resins and extracts, Vegetable plaiting materials, Animal or Vegetable fats, oils, Preparations of Meat, Sugars and Sugar Confectionary, Cocoa, Preparations of Cereals, Flour, Vegetables, Fruits, Miscellaneous Edible Preparations, Beverages, Residues and waste from the food industries	0.5% to 4%
24 to 31	Tobacco, Mineral Products, Ores, Slag, Mineral Fuel, Mineral Oils, Inorganic Chemicals, Organic Chemicals, Pharmaceuticals Products, Fertilizers	Not covered
32 to 46	Dyes, Colors, Paints, Oils, Resinoids, Pefumery, Cosmetics, Soaps, Albuminoidal Substances, Glues, Explosives, Pyrotechnic Products, Photographic and Cinematographic goods, Miscellaneous Chemicals Products, Plastic, Rubber and Article thereof, Raw Hides, Skins and Leather, Articles of Leather, Furskins, Wood, Cork and Articles of Cork	0.5 % to 1.4%
47	Pulp of Wood	Not covered
48 to 60	Paper and Paperboards, Product of Printing industry, Textiles and Textile Articles, Silk, Wool, Fine, Cotton, Other Vegetable Textile Fibres, Man made filaments, Man made Staple Fibres, Wadding, Twine, Carpets, Woven Fabrics, Impregnated, Coated Fabric, Knitted or Crocheted Fabrics.	0.5% to 4.3%
61 to 63	Articles of Apparel and Clothing Accessories, Sets, Worn Clothing, Worn Textile Articles	Not Covered
64 to 70	Footwear, Headgear and Parts thereof, Umbrellas, Article of Stones, Cement, Ceramic Products, Glass and Glassware	0.5% to 1.3%
71	Precious Metals And Metals Clad With Precious Metal	0.01%
72 to 73	Iron and Steel, Articles of Iron and Steel	Not Covered
74 to 76	Copper, Nickel, Aluminum and Articles thereof	0.01% to 2.2%
78 to 89	Lead, Zinc, Tin and Article thereof, Other base metals, Tools, Miscellaneous Articles of Base Metal, Machinery and Electrical Equipment's, Electrical / Electronic Machinery and Equipment's, Railway and Tramway Locomotives, Vehicles other than railway and tramway rolling-stock, Aircraft, Ships, Boats	0.5% to 2%
90 to 93	Photographic, medical and measuring instruments, Clocks, Watches, Musical instruments, Arms and Ammunition	0.5% to 0.5%
94 to 97	Furniture, bedding, mattresses, Toys, Games, Miscellaneous Manufactured Articles, Works of art	0.5% to 1.5%
98	Project Export	0.5%

Nangia Andersen LLP's Take



The Notification notifying the eligible products, categories of exports and RoDTEP rates has finally put rest to the speculation about eligibility and rates and brought clarity whereas, exclusion of specified sectors such as Pharma, Chemicals, Steel created vacuum for benefits by these sectors.

The Government's original intention to counter disputes around MEIS vide replacement with RoDTEP was somewhere accepted by the industry with the expectation that at least the industry will be compensated for non-creditable taxes which are more or less equal for all industry players but now excluding these sectors from RoDTEP has again created vacuum for these specified industries.

Further, rates specified in the RoDTEP Schedule are very low as compared to MEIS and this will lead to revisit the export prices as has been determined with the expectation of new rates would be on and around the old rates, but such steep movements will certainly bring additional burden on industry and re-negotiating the price with the Customer could pose a challenge to the industry and ultimately it has to suffer the cost.

As has been seen from past one year, industry has already been struggling with the cash flow management due to COVID-19 and reduction in the rates as well as restriction for specified categories of exports from availing the benefits of RoDTEP such as exports against advance authorisation, by EOU, SEZ has kept many people left out from the race and a suitable industry representation to DoC is required at the earliest to secure its interest at least for next year onwards.



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