

BACKGROUND

The much-awaited rates for Remission of Duties and Taxes on Exported Products (**RoDTEP**) Scheme under Chapter 4 of the Foreign Trade Policy, 2015-20 has been finally announced¹. The RoDTEP scheme lists out rates ranging from 0.01% to 4.3% for different HS codes [notified at Appendix 4R] and also sets out eligibilities and conditionalities for availing the benefit. The scheme will be effectuated and administered by the DGFT in the Ministry of Commerce. The scheme has been made operational from January 1, 2021.

The RoDTEP rates for nearly 60% of the products are confined to a lower rate bracket of 0.5% to 1%, which perhaps is indicative of budgetary limitation as a primary factor for fixation of rates. Understandably this is not in line with the industry expectations. Nonetheless, it is a beginning and we hope that gradually [in the next exercise of rate revision] better rates would eventually be offered with lesser restrictions.

BENEFITS UNDER THE RoDTEP SCHEME

Rebate would be granted to eligible exporters as a % of FOB value with value cap per unit basis, wherever required. Also, in case of specific products, a fixed quantum of rebate amount per unit is also notified. High level sector-wise summary of the RoDTEP benefits is tabulated here:

Industry	RoDTEP Range	Chapters
Food	0.5% - 2.5%	16-23
Products of Chemical or allied industries	0.5% -1.7%	32-38
Plastics and rubber articles	0.5% - 2.4%	39-40
Gems and Jewelry	0.01%	71
Aluminium & Zinc	0.5% - 2.3%	76 & 79
Textile and its articles	0.5% - 4.3%	50 – 63
Equipment's and machineries	0.5% - 2.2%	84 & 85
Auto and ancillaries	0.5% - 2%	86-87
Pharmaceuticals	No benefit	
Steel	No benefit	



EXPORTS NOT ELIGIBLE FOR RoDTEP BENEFIT

RoDTEP benefit at this stage is not available to the following major categories of exports (amongst others):

- Products exported against an Advance Authorization or Duty Free Import Authorization or Special Advance Authorization issued under a duty exemption scheme;
- Exports made by an Export Oriented Unit, unit in Free Trade Zone or Export Processing Zone or Special Economic Zone, Electronic Hardware Technology Park and Bio-technology Park;

¹ vide Notification No. 19/2015-20 dated August 17, 2021



- Exports made by units availing the benefit of Manufacture & other Operations Warehousing Regulations (**MOOWR**);
- Supplies of goods manufactured by DTA units to SEZ/FTWZ units;
- Deemed exports provided under Chapter 7;
- Products manufactured or exported availing the benefit of the Notification No. 32/1997- Customs dated April 1, 1997 (i.e. goods imported under job work and exported);
- Exports of imported goods and/or goods trans-shipped through India;
- Products which are subject to minimum export price or export duty;
- Products which are restricted/prohibited for export under Schedule-2 of Export Policy in ITC (**HS**);

However, a window for inclusion of exports against advance authorization, export by EOU and SEZ's have been kept open, if recommended for specific sectors/products by the RoDTEP Committee.

PROMINENT FEATURES OF RoDTEP SCHME

- Benefit is allowed subject to receipt of sale proceeds within the time limit prescribed under Foreign Exchange Management Act, 1999. However, grant of rebate would not be contingent upon realization of export proceeds at the time of issuance of scrip;
- Exports shall be made from EDI ports;
- Benefit would be granted in the form of a transferable duty credit/electronic scrip (**e-scrip**);
- E-scrip has restricted use i.e. can be used for payment of Basic Customs Duty.

POINTS TO PONDER

- The announcement of scheme with low rates seems largely driven by budgetary limitations. Perhaps this is the reason that a provision for annual review with necessary revision of rates within the yearly budgetary limits has also been incorporated. This provides an option to all impacted to make necessary representations seeking a favorable and benign rate.
- Equally, ineligibility of exports against an Advance Authorization, exports from SEZ, EOUs, etc. are in disadvantageous position as opposed to earlier MEIS Scheme, which did not impose any such restriction.

WAY FORWARD

- Industry bodies to approach the RoDTEP Committee seeking inclusion of an eligible/ineligible categories viz. exports against an Advance Authorization, by SEZ and EOUs;
- Qua the products which have been left out of the scheme, it is important to engage and persuade the ministries;
- Explore the option of seeking judicial intervention for excluded sectors, who were awaiting RoDTEP rate with retrospective effect;
- Revisit all the export incentive benefits claimed under the applicable schemes.

For further information please reach out to:

Rohit Jain

E: rohitjain@elp-in.com

Kumar Visalaksh

E: kumarvisalaksh@elp-in.com

Vivek Baj

E: vivekbaj@elp-in.com

Tejus Pathak

E: tejuspathak@elp-in.com