

Remission of Duties and Taxes on Exported Products (RoDTEP)
with effect from 1st January 2021

Central Board of Indirect Taxes (CBIC) greeted the domestic manufacturers-exporters and merchant exporters for the new year by announcing the Remission of Duties and Taxes on Exported Products (RoDTEP) with effect from 1st January 2021, which is extended to all export goods. It ends the long debate on whether or not the Merchandise Export from India Scheme (MEIS) would be available from 01.01.2021 and whether or not there would be any new incentive scheme in case the MEIS is done away with. In fact, the entire domestic industry was waiting for an announcement with respect to export benefits post cessation of MEIS.

Why RoDTEP?

We know that India has lost the dispute settlement case filed before the World Trade Organization (WTO) by the complainant United States of America (USA) against domestic export incentives, as the dispute settlement panel appointed by the WTO concluded that, these schemes are inconsistent with the international trade norms, specifically the Agreement on Subsidies and Countervailing Measures (SCM Agreement).

The complainant alleged that, the export subsidies provided by India under five set of measures, i.e., EOU/EHTP/BTP schemes, EPCG Scheme, SEZ scheme, DFIS scheme, and MEIS scheme is inconsistent with Article 3.1 (a) and 3.2 of the SCM Agreement. Consequently, the panel held that, the duty credit scrips awarded under MEIS are subsidies contingent upon the export performance and therefore, inconsistent with Article 3.1 (a) and 3.2 of the SCM agreement. Though India vehemently argued to be falling under the exemption provided under Article 27 of the SCM Agreement, which is for the Developing Country Members; as per the majority decision of the panel, India had graduated from Article 27 of the SCM Agreement and such defense was no longer available to them (which basically meant that India was being seen as developed nation rather than a developing country).

Consequently, the Government had to announce the sunset of MEIS by 31.12.2020, though an appeal is already been filed by India against the finding of the WTO. However, the Government also had to incentivize the domestic industry for their export performance to boost exports from the Country and thus, they came up with the RoDTEP Scheme, which is supposed to be consistent with the international trade norms.

What is RoDTEP?

Through the RoDTEP Scheme, the Government would refund to exporters the Central, State and Local duties/taxes that were so far not being rebated/refunded by any other mechanism under the law and therefore, placing the exports at a disadvantage. With an intention to bring the exports as 100% free from taxes/ zero-rated, this scheme has been introduced which will cover the local taxes, coal cess, mandi tax, electricity duties, taxes on fuel for transportation etc., to boost the export performance of the country.

It is asserted that, the refund would not be of a nature of cash refund, like the one existing under the Goods and Services Tax (GST) regime; but shall be credited to an exporter's ledger account with Customs and such amount could be used to pay Basic Customs Duties (BCD) on imported goods. The credits can also be converted into a credit scrip which can be freely transferred to other importers.

The extent of the benefit is yet to be notified.

How to claim RoDTEP?

Just like erstwhile regimes, the intent to claim the RoDTEP in the Shipping Bill is mandatory. Such intent is coupled with certain declarations, which is also mandatory, for the accrual of the credits under the RoDTEP scheme. The formats of the declarations are already provided by CBIC. The intent and declaration before the filing of Shipping Bills is the most important part and as per our past experience, **it cannot be corrected later**.

Though the processing of the claims is automatic, but it is routed for officer intervention, based on risk-based targeting by Risk Management System (RMS) once the Export General Manifest (EGM) is filed. The Shipping Bills would come to an officer for processing or directly sent for the generation of scrolls. These procedures are more or less in lines with the existing Drawback schemes. Once the scrolls are generated, the amounts would be reflected in the ledger created at the ICEGATE which then can be used to pay the BCD levied on subsequent imports. The exporters can claim and convert the ledger into a credit scrip on the ICEGATE, which can be sold and would be freely transferable.

Our Comments

RoDTEP is a welcome step from CBIC as the domestic industry needed to be incentivized for the exports. As per our analysis, one should take care of following points for receiving the rebate/refund under the RoDTEP scheme:

- Do not miss on the intents and declarations, even when the rates are yet to be declared by the CBIC.
- Though the detailed process and guidelines are yet to be announced, the exporters should be prompt on the ICEGATE portal and get themselves registered.
- There may be a fixed ceiling/ allocation for the RoDTEP Scheme and therefore, always be prompt with your credit ledgers and do not rely on limitation periods, if any.
- It may be the case that, the rates under this Scheme may be shuffled based on the indirect taxes levied on the final products. For example, in sectors such as steel, alloys, engineering goods, the incidence of such taxes is higher and therefore, it is presumed that these sectors shall be awarded with higher duty rates.
- It is asserted that, it is completely different from the MEIS Scheme and the exporters should get the advices and opinions from the experts based on their business verticals.

For further clarifications, you could reach the following members:

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