



Capping of MEIS Scheme Benefits

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Why in News

The government has taken a decision to **cap export incentives** under **Merchandise Exports from India Scheme (MEIS)** at **Rs. 2 crore per exporter** on outbound shipments made during September-December, 2020.

Key Points

- **About the Decision:**

- The ceiling would be **subject to a downward revision** to ensure that the total claim doesn't exceed the allocated Rs. 5,000 crore for the period.
- The new **Import Export Code (IEC)** obtained on or after 1st September will be **ineligible to submit any MEIS claim** for exports.

Import Export Code: It is issued by the DGFT (Director General of Foreign Trade - Ministry of Commerce and Industry). **IEC** is a 10-digit **code** which has a lifetime validity. Predominantly importers cannot **import** goods without the **Import Export Code** and similarly, the exporter merchant cannot avail benefits from DGFT for the **export** scheme, etc. without **IEC**.

- **Reasons for Government Decision:** MEIS is not World Trade Organisation (WTO) compliant and rolling back of the MEIS scheme will pave the way for a new scheme in place. The Indian government has announced a **new WTO-compliant scheme** called **Remission of Duties or Taxes On Export Product (RoDTEP)** which will replace MEIS starting 1st January 2021.

- **Merchandise Exports from India Scheme (MEIS):**
 - The Merchandise Exports from India Scheme (MEIS) was introduced in the **Foreign Trade Policy (FTP) 2015-20** w.e.f. 1st April 2015 with the objective to offset infrastructural inefficiencies and associated costs involved in exporting goods/products which are produced /manufactured in India including products produced/manufactured by MSME Sector.
 - Under MEIS, the government provides duty benefits depending on product and country.
 - Rewards under the scheme are payable as percentage of realised free-on-board value (of 2%, 3% and 5%) and MEIS duty credit scrip can be transferred or used for payment of a number of duties including the basic customs duty.
- **Remission of Duties or Taxes On Export Product (RoDTEP):**
 - The new scheme will be implemented from 1st January 2020 and create a **fully automated route** for **Input Tax Credit (ITC)** in the GST to help increase exports in India.
 - It will **reimburse all the taxes/duties/levies** being charged at the Central/State/Local level which are not currently refunded under any of the existing schemes but are incurred at the manufacturing and distribution process.
 - The Ministry of Finance has set up a **committee** under the chairmanship of former commerce and home secretary **GK Pillai** to finalise the rates under RoDTEP that will allow reimbursement of all embedded taxes including local levies paid on inputs by exporters.
- **Concerns:**
 - **Lack of data for new scheme to replace MEIS:** The RoDTEP committee has started the work, but the industry is facing **challenges in providing the data** due to frequent local lockdowns, non-availability of transport and non-functioning of auditors.
 - **The Federation of Indian Export Organisations (FIEO)** is of the view that exports during September-December are based on orders that had been **negotiated earlier after factoring in** the existing **Merchant Export from India Scheme (MEIS)** benefit.
 - These benefits are **part of the export competitiveness** and therefore the sudden change will affect exporters' financially as **buyers are not going to revise their prices upwards.**

Federation of Indian Export Organisations

- The Federation of Indian Export Organisations represents the Indian entrepreneurs spirit of enterprise in the global market. It was set up in **1965**.
- It is an **Apex body** of the export promotion councils, community boards and development authorities in India.

- It provides the crucial interface between the international trading community of India & the Central and State Governments, financial institutions, ports, railways and all engaged in export trade facilitation.

Way Forward

- The extension in the MEIS Scheme till March 2021 will help in a smooth rolling of the RoDTEP scheme.
- The sudden imposition of **a cap of Rs. 2 crore per IEC (Import Export Code)**, on MEIS benefit of exports made during 1st September to 31st December, 2020, is going to seriously affect exporters, whose numbers may not be very large, but their contribution to exports warrant a revisit to the imposition of the cap.

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