



# RoDTEP Scheme

## Why in News

Recently, the **Ministry of Commerce and Industry** has announced **rates of tax refunds** under the **Remission of Duties and Taxes on Exported Products (RoDTEP) scheme** for 8,555 products for the FY 2021-22.

## Key Points

### ▪ About:

- The RoDTEP scheme would **refund to exporters the embedded central, state and local duties or taxes that were so far not being rebated or refunded** and were, therefore, placing India's exports at a disadvantage.
- The rebate under the scheme **would not be available** in respect of duties and taxes already exempted or remitted or credited.

### ▪ Launch:

- It was **started in January 2021** as a replacement for the [Merchandise Export from India Scheme \(MEIS\)](#), which was not compliant with the rules of the [World Trade Organisation](#).
  - The MEIS scheme provided additional benefits of **2% to 7% on the Freight On Board (FOB) value** of eligible exports.
  - As per the WTO norms, a country can't give export subsidies like MEIS if Per capita income is above 1000 USD and India's Per Capita Income crossed above 1000 USD in 2017. India subsequently lost the case at WTO and had to come up with a new WTO compliant scheme to help Indian exporters.
- For garment exporters, the [Rebate of State and Central Levies and Taxes \(RoSCTL\) Scheme](#) has been notified separately.

### ▪ Rates:

- The tax refund rates **range from 0.5% to 4.3%** for various sectors.
- The rebate will have to be claimed as **a percentage of the Freight On Board value of exports**.

### ▪ Issuance:

- Rebates will be issued in the form of a transferable duty credit/electronic scrip (e-scrip) which will be maintained in an electronic ledger by the [Central Board of Indirect Taxes and Customs \(CBIC\)](#).

### ▪ Significance:

- **Enhance India's Competitiveness:**
  - The reimbursement of taxes such as duty on power charges, [Value-Added Tax](#) on fuel in transportation, [Farm Sector](#) etc. will make Indian products competitive in global markets.
  - It is expected to significantly impact India's competitiveness, trade flows and export numbers over the next 5-10 years.
- **Par with International Standards:**
  - Indian exporters will be able to meet the international standards for exports **as affordable testing and certification will be made available to exporters** within the country instead of relying on international organizations.
  - This would increase the economy for the country and working capital for the

enterprise.

- **Automated Tax Assessment:**

- Also under it, **tax assessment is set to become fully automatic for exporters.** Businesses will get access to their refunds for **GST (Goods and Services Tax)** via an automatic refund-route.

- **Concerns:**

- **Lower Rates:**

- The scheme disappointed many exporters as the **rates are much lower than MEIS rates** with lesser budget allocation.
- The rates have not taken into account the **taxes embedded in their raw material like steel in the engineering products** in a large number of cases.

- **Deprive Large Sectors:**

- The benefit appears not to be available to major exports such as steel, pharma, etc. and exports made under Advance Authorisation, EOU (Export oriented unit), **SEZ (Special Economic Zone)**, etc.
- It will have an adverse impact **on competitiveness of Indian exports** and will send negative sentiment amongst the exporters.

## Freight on Board

- Also called Free on Board (FOB) is a term used to **indicate who is liable for goods damaged or destroyed during shipping.**
  - "**FOB origin**" means the buyer is at risk and takes ownership of goods once the seller ships the product.
  - "**FOB destination**" means the seller retains the risk of loss until the goods reach the buyer.
- The terms of FOB **affect the buyer's inventory cost;** adding liability for shipped goods increases inventory costs and reduces net income.

**Source: IE**

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