



# Remission of Duties or Taxes on Export Product

## Why in News

There has been rising demand from the Micro, Small, Medium Enterprises (**MSME**) sector seeking clarification on the new export policy viz. **Remission of Duties or Taxes on Export Product (RoDTEP)**.

## Remission of Duties or Taxes on Export Product

- The new scheme will be implemented from 1<sup>st</sup> January 2020 and will replace the existing **Merchandise Exports from India Scheme (MEIS)** and create a fully automated route for **Input Tax Credit (ITC)** in the GST to help increase exports in India.
  - It is expected to adequately incentivize exporters by **reducing duties paid on exports** and will initiate the refund of various taxes to exporters.
  - **ITC** is provided to set off tax paid on the purchase of raw materials, consumables, goods or services that were used in the manufacturing of goods or services. This helps in **avoiding double taxation and the cascading effect of taxes**.
- By adopting to RoDTEP scheme, 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.
  - Also under it, tax assessment is set to become fully automatic for exporters. Businesses will get access to their refunds for GST via an **automatic refund-route**.
  - This would **increase the economy** for the country and **working capital** for the enterprise.
- **WTO Compliant:** Apart from boosting the export sector of our country, RoDTEP will coordinate with the [World Trade Organization \(WTO\)](#) to reduce the post-production transaction costs for exporters. The implementation of the scheme thereby must provide a **production-oriented process along with WTO**, which in turn can boost the production of SMEs, [MSMEs](#).
  - RoDTEP is a **WTO-consistent scheme** under which indirect taxes on inputs are consumed in the production process.
    - In general, according to principle recognised in WTO, indirect taxes on exports are reimbursed.
    - A number of indirect taxes, such as import tariffs and goods and services tax (GST), are already reimbursed for exports in India and most other countries. RoDTEP would cover central and state indirect taxes, which are not currently reimbursed thereby complying with WTO rules.
- **Merchandise Export from India Scheme (MEIS)** was not WTO rules compliant. It was introduced in the [Foreign Trade Policy \(FTP\) 2015-20](#) w.e.f. 1<sup>st</sup> 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.

[Source: TH](#)

PDF Refernece URL: <https://www.drishtias.com/printpdf/remission-of-duties-or-taxes-on-export-product>