



Incentivising Schemes to Boost Export

Why in News

The government has decided to **release pending claims worth Rs. 56,027 crore in FY 2021-22 for merchandise as well as service exports** under various export promotion schemes.

- Merchandise exports for April-August, 2021 was nearly \$164 billion, which is an increase of 67% over 2020-21 and 23% over 2019-20.

Key Points

▪ About:

- It is **expected to benefit more than 45,000 exporters** out of which about 98% belong to the **MSME (Micro, Small and Medium Enterprises)** category.
- Government has set a **target of achieving \$400 billion merchandise exports in FY 2021-22** amid growing demand for Indian goods in developed countries.
- Exporters will be incentivised under the following schemes:
 - **Merchandise Exports from India Scheme (MEIS), Service Exports from India Scheme (SEIS), Rebate of State Levies (RoSL), Rebate of State and Central Taxes and Levies (RoSCTL) and RoDTEP (Remission of Duties and Taxes on Exported Products).**

▪ Significance:

- **Help Bring in Foreign Exchange:**
 - China's success as an exporting nation lies in its manufacturers receiving a wide range of government incentives (including hefty tax rebates) to produce almost exclusively for foreign markets.
- **Lower Current Account Deficit:**
 - Incentivizing schemes will help lower the **Current Account Deficit**, which is the deficit caused when a country imports more than it exports.
 - India's current account deficit has averaged 2.2% of GDP in the past decade (worth around \$15 billion in July-September 2020).
- **Liquidity:**
 - Benefits would help merchandise sectors (Agriculture and Allied sectors, auto and auto components) to maintain cash flows and meet export demand in the international market, which is recovering fast this financial year.

Export Promotion Schemes

▪ Merchandise Exports from India Scheme:

- MEIS was introduced in the **Foreign Trade Policy (FTP) 2015-20**, 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.

▪ **Service Exports from India Scheme:**

- It was introduced in April 2015 for 5 Years under the **Foreign Trade Policy of India 2015-2020**.
 - Earlier, this Scheme was named as Served from India Scheme (SFIS Scheme) for Financial Year 2009-2014.
- Under it, incentives are **given by the Ministry of Commerce and Industry** to Service Exporters based in India to promote the export of services from India.

▪ **Remission of Duties or Taxes on Export Product (RoDTEP)**

- It is a fully automated route for **Input Tax Credit (ITC)** in the **[GST \(Goods and Service Tax\)](#)** to help increase exports in India.
 - 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.
- It was started in January 2021 as a replacement for the MEIS, which was not compliant with the rules of the **[World Trade Organisation](#)**.
- 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.

▪ **Rebate of State and Central Taxes and Levies**

- Announced in March, 2019, RoSCTL was offered **for embedded state and central duties and taxes that are not refunded through Goods and Services Tax (GST)**.
- It was available **only for garments and made ups**. It was **introduced by the Ministry of Textiles**.
- Previously, it was **Rebate for State Levies (ROSL)**.

[Source: PIB](#)

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