

## On the ROAD to a fresh start in the new year, with RoDTEP Scheme

### Snapshot

- RoDTEP Scheme is being implemented from January 1, 2021 and will replace the MEIS scheme
- The product wise rates of reward are being finalised by the Committee and shall be notified shortly
- The detailed RoDTEP scheme, the conditions, and exclusions are yet to be notified
- CBIC states in the advisory that RoDTEP shall not be available where benefits of such as Advance Authorization, EOU, Jobbing etc. has been availed
- The notified rates, irrespective of the date of notification, shall apply with effect from January 1, 2021, to all eligible exports of goods
- Exporters desirous of availing the benefit of the RoDTEP scheme shall be required to declare such intention for each export item in the shipping bill or bill of export w.e.f. January 1, 2021
- Necessary changes have been made by the Customs department in their System to accept and process RoDTEP claims

### Background

The Foreign Trade Policy 2015-20 ('FTP') was set to expire in March 2020 but was extended till March 2021 in view of the unprecedented situation due to the COVID-19 pandemic. The said FTP, provided incentives such as Merchandise Exports from India Scheme ('MEIS') to exporters of goods and Service Exports from India Scheme ('SEIS') to exporters of services, amongst others.

The various incentives provided by the Government to the exporters were challenged by the United States before World Trade Organisation ('WTO') on the grounds that such incentives were inconsistent with certain provisions of WTO's Agreement on Subsidies and Countervailing Measures. The dispute panel of the WTO upheld such challenge and held that India should withdraw "subsidies" provided to exporters under the EOU/EHTP/BTP and SEZ schemes as well as EPCG and MEIS. Since the dispute panel directed India to withdraw all the above schemes, the Government of India is learnt to have appealed against the said ruling of the dispute resolution panel of the WTO.

In the WTO ruling, the MEIS scheme was, in particular viewed as a subsidy given by the Government to the exporters and accordingly was treated as being non-compliant with the WTO norms. Further, the MEIS scheme was also seen has lacking the coverage of various state and local levies. Considering the same, the Finance Minister, in September 2019 announced the introduction of an overhauled scheme to be

known as the **Remission of Duties and Taxes on Export Products ('RoDTEP')** scheme which would replace the MEIS scheme. The same was approved by the cabinet in March 2020. The Government has also collected relevant data from the exporters through respective export councils to determine the rates of reward under the scheme.

The Government has now published a press release<sup>1</sup> reaffirming that the RoDTEP scheme shall be implemented from January 1, 2021. Pursuant to the said press release, the CBIC has also released a document giving a detailed explanation on the procedure to claim the reward under RoDTEP.

It is to be noted that the scheme has not been notified. In this regard, the Government has published a second press release<sup>2</sup> stating that the list of goods eligible for RoDTEP scheme, applicable rate of rewards, value caps, excluded category of exports, conditions, restrictions procedural details for grant and utilization of credit under RoDTEP shall be notified separately.

### Understanding of the Scheme

#### What are the objectives of the RoDTEP Scheme?

The RoDTEP scheme is replacing the MEIS scheme and is meant to refund to exporters, the embedded central, state and local duties and taxes such as mandi tax, electricity duties, duties and taxes paid on fuel used for transportation and other local taxes that were so far not being rebated/refunded and were, therefore, placing our exporters at a disadvantage.

The key features of RoDTEP are as follows:

- Framed in accordance with the WTO guidelines
- Make Indian exports cost competitive

- Create a level playing field for exporters in International market
- Boost better employment opportunities in export-oriented manufacturing industries.

#### What are the benefits available under the Scheme?

The Government has estimated an outlay of Rs. 50,000 crores in order to provide the RoDTEP benefits to all the exporters. The reward under the scheme is to be made available as a percentage of the Freight on Board (FOB) value of exports by way of credits to the exporters.

The rates of reward under the scheme shall be notified on the basis of the Revised ITC ('RITC') codes. Hence, unlike Drawback, exporters would not be required to declare any separate code or schedule serial number for RoDTEP.

#### How will the benefit under the Scheme be granted?

Scripts generated can be:

- Utilized for payment of eligible duties<sup>3</sup> on imported goods or
- Transferred to any other entity having a valid IEC and a ICEGATE registration

These facilities will be made available once the final rate of rewards under the RoDTEP scheme are notified and scroll generation is enabled on the ICEGATE portal.

The refund sanctioned under the RoDTEP scheme would be credited in an exporter's ledger account on the ICEGATE portal of Customs. The credits shall have to be converted into Scripts which will reflect in the exporter's ledger maintained on the ICEGATE portal.

<sup>1</sup> Ministry of Finance through PIB – Press Release ID: 1685206, dated December 31, 2020

<sup>2</sup> Ministry of Finance through PIB – Press Release ID: 1685400, dated January 1, 2021

<sup>3</sup> Basic Customs Duty – As per the press release dated December 31, 2020

### Procedural requirements for submission of the claim and processing of the claim

#### Making the claim for RoDTEP in the Shipping Bill

As per the press release and the document released by the CBIC, an importer desirous of availing the benefit of the RoDTEP scheme shall be required to declare his intention in the Shipping Bill in the following manner:

- The exporter will have to make following declarations in the SW\_INFO\_TYPE Table of the Shipping Bill for each item:

INFO TYPE	DTY
INFO QFR	RDT
INFO CODE	RODTEPY - If RoDTEP is availed RODTEPN - if RoDTEP not availed
INFO MSR	Quantity of the items in Statistical UQC as per Customs Tariff Act for that item RITC
NFO UQC	UQC for the Quantity indicated above

- For every item where RODTEPY is claimed, a declaration has to be submitted in the Statement Table of the Shipping Bill as below:

STATEMENT TYPE	DEC
STATEMENT CODE	RD001

\*Submission of the above statement code would mean that the exporter has made the necessary declaration that he undertakes that he (i) will abide by the provisions, conditions, restrictions and time limits prescribed under the scheme (ii) not make claim in respect of duties or taxes which are exempted / remitted / credited under a mechanism other than RoDTEP (iii) shall make available relevant documents for the purpose of audit in the manner prescribed under the Customs Audit regulations, 2018

- If RODTEPY is not specifically claimed in the Shipping Bill, no RoDTEP would accrue to the

exporter. No changes in the claim will be allowed after the filing of the EGM.

- Checks have been built in the System to disallow RoDTEP benefit in certain cases.

#### Procedure for grant of the Reward under RoDTEP

On the basis of Risk based targeting by RMS, all Shipping Bills with RoDTEP and/or Drawback claim will either go to the officer for processing or will directly be facilitated to the scroll queue without any officer intervention.

Once the Shipping Bill is processed, it will move to the respective scroll queues against which the officers shall have to generate the RoDTEP Scrolls and the scroll is generated, the exporters will be able to see the credits in their ICEGATE login and shall be able convert such credits into Credit Scrips.

Exporters will be able to club the credits for any number of Shipping Bills at the time of generation of Credit Scrips

Scrips once generated will reflect in the exporter's ledger and will be available for utilization in paying eligible duties during imports or for transfer to any other entity having IEC and a valid ICEGATE registration.

#### KCM Comments

The MEIS scheme was introduced as a step towards promoting manufacture & export of notified products from India. The RoDTEP scheme, on the other hand, has been introduced for providing compensation of costs towards duties and taxes embedded in the products exported from India. The methodology of providing benefits under both the schemes is different and it is expected that the benefits under RoDTEP would be lesser as compared to the benefits available under MEIS.

It is to be noted that the procedure published by the CBIC to claim RoDTEP states that the claims for RoDTEP shall be disallowed in cases where the benefit of schemes like Advance Authorization, EOU, etc. has

been availed. These schemes grant exemption from payment of Customs duties and GST payable in import of goods whereas RoDTEP is meant to refund the other local / state / central levies embedded in the cost of production of export products. Hence, not allowing the benefit of RoDTEP to such persons seems to be against the objective of the scheme.

Further, while the modalities and the conditions of availing the benefits of the scheme are yet to be published, the Government is taking a declaration in advance from the exporters to the effect that they shall abide to the terms and conditions of the scheme.

The rates of benefit available under the scheme are still awaited, and a Committee entrusted with the task of working out the rates is expected to submit the report shortly. The Government has collected data in this regard from exporters through the respective export councils for working out the rates.

As per the press release, it is suggested that the exporters intending to claim the benefit of RoDTEP

should mention such intention in the shipping bill filed from January 1, 2021 onwards as per the procedure mentioned above. Given that the scheme has just been implemented and there may be system glitches in implementing the procedure, it is suggested that exporters should mention the remarks "We intend to claim benefit under RoDTEP scheme as applicable" on the shipping bills / export invoices as is being currently done to claim MEIS.

Also, one needs to watch out for announcement from the Government notifying the following:

- List of export goods eligible for RoDTEP scheme
- Applicable rate of reward and value caps
- Eligibility criteria / conditions and restrictions
- Categories of exports excluded from the scheme
- Periodicity and time limits for making the claim
- Procedural aspects for grant of RoDTEP duty credits, and utilisation thereof.

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For further analysis and discussion, you may please reach out to us.

## Locations

### Ahmedabad

Arpit Jain

Level 11, Tower B,  
Ratnaakar Nine Square,  
Vastrapur,  
Ahmedabad - 380 015

Phone: + 91 79 4910 2200  
[arpit.jain@kcmehtha.com](mailto:arpit.jain@kcmehtha.com)

### Bengaluru

Payal Shah

19/4, Between 7th & 8th Cross,  
Malleswaram,  
Bengaluru - 560 003

Phone: +91 80 2356 1880  
[payal.shah@kcmehtha.com](mailto:payal.shah@kcmehtha.com)

### Mumbai

Vishal Doshi

508, The Summit Business Bay,  
Nr. WEH Metro Station,  
Gundavali, Andheri East,  
Mumbai - 400069

Phone: +91 22 2612 5834  
[vishal.doshi@kcmehtha.com](mailto:vishal.doshi@kcmehtha.com)

### Vadodara

Milin Mehta

Meghdhanush,  
Race Course,  
Vadodara - 390 007

Phone: +91 265 2440400  
[milin.mehta@kcmehtha.com](mailto:milin.mehta@kcmehtha.com)

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**K C Mehta & Co.**

Chartered Accountants