

Everything exporters need to know about RoDTEP scheme

50 FAQs



CA Ashish Chaudhary
Partner
Hiregange & Associates LLP
ashish@hiregange.com



CA Ravi Kumar Somani
Partner
Hiregange & Associates LLP
ravikumar@hiregange.com

Exclusive insights for exporters comprising of 50 FAQs with entire information on RoDTEP scheme as relevant for exporters.

Background

Indian Exporters have been waiting for last 8 months for the announcement of the benefits under RoDTEP (Remission of Duties and Taxes on Exported Products) Scheme. Ministry of Commerce & Industry under Department of Commerce has finally come out with the Scheme Guidelines by issuing the Notification No. 19/2015-2020 dated 17th August 2021 providing for the contours of the Scheme. It has also provided for the rate of benefit applicable on various products presently 8555 tariff lines being exported from India.

The authors have prepared some FAQs based on first hand reading of the Scheme document. Please note that the views expressed in the FAQs are not the authoritative pronouncement by Ministry or any other regulatory body and is merely understanding of the authors presented in simpler form for ease of understanding. The answers to FAQs may undergo changes once other aspects under the Scheme are notified by the Ministry of Finance and Ministry of Commerce.

1. What is RoDTEP Scheme?

Ans: RoDTEP scheme is notified for the remission of duties, taxes and other levies at the Central, State and local level which are borne on the exported goods manufactured in India. It also includes incidence of taxes suffered post manufacturing of the goods i.e., in respect of the distribution of exported goods.

The benefit is not available in respect of those duties or taxes which are otherwise exempted or remitted or credited.

The benefit is given as percentage of FOB or fixed amount per unit of measurement as prescribed in the Appendix 4R to the Notification.

2. Whether RoDTEP Scheme is different from MEIS Scheme? If yes, in what manner?

Ans: MEIS was given under chapter 3 of the FTP i.e. Exports from India Scheme, as an incentive whereas the RoDTEP is announced under chapter 4 of FTP i.e., duty exemption and remission scheme, which is in compliance with the global trade norms of WTO. The objective of the MEIS was to incentivize the export of the goods from India whereas the objective of RoDTEP is neutralize the taxes and duties suffered on exported goods which are otherwise not credited or remitted or refunded in any manner. Important distinguishing features of the MEIS viz a viz RoDTEP could be tabulated as below:

Coverage	MEIS	RoDTEP
FTP	Benefit given as export incentive under FTP	Benefit given as duty exemption and remission scheme under FTP
Products	Almost all the products were covered under MEIS benefit.	There are few sectors i.e., pharmaceuticals, chemical, steel etc. are important sectors which have not been covered in the Scheme.
Benefit	The average rate of benefit under MEIS was between 2% to 7*% <i>*Enhanced rate</i>	The benefit ranges between 0.01 to 4.3% of FOB. However, in majority of the products, benefit under RoDTEP is substantially lower (may be less than 50%) than MEIS benefit.
Restriction	MEIS was broad based scheme which was available to SEZ, EOU, MOOWR, advance authorization holder etc.	RoDTEP is very restrictive and SEZ, EOUs, advance authorization holders, MOOWR etc. have been covered in the ineligible categories with an option for some of these to confer benefit in future.
Country specific	The quantum of benefit depended upon the country of exports. Exports to some of the countries were not entitled for benefit.	There are no country specific restrictions. Exports to all the Countries are covered in the Scheme benefit.
Net impact	The benefit under MEIS for majority of sector was significant compared to RoDTEP and helped a lot to exporters to become competitive in the international market.	The benefit under RoDTEP is very restrictive and, in many sectors, may have adverse impact on the export competitiveness of the Indian Exporters.

3. Which are governing regulatory bodies for the RoDTEP in India?

Ans: RoDTEP scheme is notified by the Department of Commerce. The Scheme shall be fully administered by the Department of Revenue.

A separate committee has been constituted comprising of Department of Revenue with suitable representation of the Department of Commerce/DGFT, line ministries and experts on the prioritized sectors. The committee shall be responsible for the determination of the ceiling rates under the Scheme.

Further, a separate RODTEP Policy Committee (RPC) chaired by DGFT would be constituted to address residual issues related to the Scheme.

4. Whether RoDTEP is available on all the products or on selective products? Further, whether there is any country specific restrictions or permission in RoDTEP?

Ans: RoDTEP scheme is notified based on the classification of the products as per tariff heading at 8-digit level. The benefit is given for 8555 tariff items. However, there are some sectors i.e., steel, pharmaceuticals, chemical, textiles (covered by ROSCTL) etc. which have not been given benefit under the Scheme. One need to examine the Appendix 4R to assess if their products covered under the Scheme.

The benefit is available in respect of exported goods to any of the Countries without any specific restrictions or permissions based on the country.

5. Which taxes are intended to be compensated to the exporters in RoDTEP Scheme?

Ans: The scheme intends to compensate the duties/taxes/levies at the Central, State and Local level borne on the exported product including prior stage cumulative indirect taxes on goods and services used in the production and distribution of the exported product. Illustrative taxes would be as follows:

- i. VAT and Excise duty on the fuel (5 goods) used in self-incurred transportation costs;
- ii. VAT and Excise duty on the fuel used in generation of electricity via power plants or DG Sets;
- iii. VAT and Excise duty on the fuel used in running of machineries/plant;
- iv. Electricity duty on purchase of electricity;
- v. Mandi Tax/ Municipal Taxes/ Property Taxes;
- vi. Stamp duty on export documents;
- vii. Un-creditable CGST/ SGST/ IGST/ Compensation Cess on items falling under Section 17 (5) [passenger transportation vehicles, food and beverages, rent-a-cab, works contract services, etc.]

- viii. Un-creditable CGST/ SGST/ IGST/ Compensation Cess which normally gets lost due to defaults by suppliers, e.g., GSTR 2A default, Section 16 (2) default, Section 16 (4) default

6. Whether the Scheme has actually compensated for all these taxes?

Ans: Looking at the rates notified, it appears that the due considerations have not been given to the above taxes which are becoming cost for the exporters. For e.g., Mobile phone are eligible for Rs. 24.5 per piece against 4% MEIS earlier. Similarly, precious metal and jewellery sector has got 0.01% of benefit. Many sectors have been excluded from the benefit though they suffer the very high taxes burden. Thus, it appears that the Scheme has not fully considered the impact of these taxes and fail to neutralize the impact of taxes in most of the products.

7. Whether Scheme is applicable only to the manufacturer and exporter of goods or to all type of exporters?

Ans: The benefit under the Scheme is available to all exporters irrespective of their status in respect of the goods manufactured in India. Further, there is no turnover limit criterion for claiming the benefit under the Scheme.

8. What would be manner of claiming benefit of RoDTEP? Whether there would be need of filing separate application similar to MEIS or it would be directly available as Duty Drawback?

Ans: The detailed rules and procedure for applying and claiming the benefits are yet to be notified by CBIC, Department of Revenue.

9. What are ineligible categories under the Scheme for claiming benefit?

Ans: The scheme is very restrictive as many supplies or items or categories under the Scheme have been disentitled for the Scheme as provided in para 4.55. Following are ineligible categories:

- (i) Exports of imported goods as per para 2.46 of FTP i.e., Import for Export
- (ii) Exports through transshipments, meaning exports originating in third country but transhipped through India
- (iii) Export products subject to minimum export price or export duty

- (iv) Products restricted for exports under Schedule 2 of Export Policy in ITC (HS)
- (v) Products prohibited for exports under Schedule 2 of Export Policy in ITC (HS)
- (vi) Deemed Exports
- (vii) Supplies of products manufactured by DTA units to SEZ/FTWZ units
- (viii) Products manufactured in EHTP and BTP
- (ix) Products manufactured partly or wholly in a warehouse under section 65 of Customs Act, 1962 (i.e., MOOWR etc)
- (x) Products manufactured or exported in discharge of export obligation against advance authorisation or DFIA or special advance authorisation issued under a duty exemption scheme of relevant FTP
- (xi) Products manufactured or exported by 100% EOU
- (xii) Products manufactured or exported by any of the units situated in FTZ, EPZ or SEZ
- (xiii) Products manufactured or exported availing the benefit of Notification No 32/1997- Customs (i.e., jobbing transactions)
- (xiv) Exports for which electronic documentation in ICEGATE EDI has not been generated or exports from non-EDI port
- (xv) Goods which have been taken into use after manufacture (i.e., second hand goods)

10. What is the rationale for covering SEZ, EOU, FTWZ, MOOWR etc under the ineligible categories?

Ans: The RoDTEP is intended to neutralize the tax impact of all taxes which are not creditable/ remittable or refundable. It appears that while drafting the scheme, the focus of policy makers has been shifted to the customs duty exemptions enjoyed by these units and thus not extended the benefit of RoDTEP. The entire objective of the Scheme is lost in the process as the RoDTEP intends to refund the non-exempted/remitted/credited duties, taxes, levies at the Central, State, Local level and not confined to the customs duty. By not providing the RoDTEP benefit to these units, they have been placed at disadvantageous position by not remitting the other domestic taxes borne by these units viz a viz DTA manufacturers and thereby affecting the overall relevancy of these units to remain as SEZ, EOU etc.

Though the Scheme provides that the exporters under the categories of SEZ, EOU, Advance Authorization etc. would be covered by the Scheme at a later date, it is desirable that these units are also given the benefit with retrospective effect immediately to ensure viability of these units.

11. Can I claim the unlimited benefits on goods exported as per applicable rates or are there any overall ceiling for claiming the benefit?

Ans: The Scheme is within overall annual budget outlay to be determined based on budgetary allocation. The Scheme makes provision for determination of total overall benefit amount permissible under the Scheme for the year. This indicates that there could be ceiling on the maximum benefit within overall budget outlay. More clarity would emerge in future on overall ceiling aspect.

12. What is the need and role of realisation of foreign currency for the RoDTEP benefit? Whether benefit is available even if the consideration is received in INR instead of convertible foreign exchange? What if FEMA compliance violated?

Ans: The rebate is allowed subject to receipt of sale proceeds within the **timeframe** allowed under the Foreign Exchange Management Act, 1999 failing which such rebate shall never be deemed to have been allowed. It is to be noted that there are no restrictions on realization of amount in INR and the exporters can claim the benefit of the Scheme. The Scheme further provides that the rebate would not be dependent on the realization of export proceeds at the time of claim of rebate. However, in case the amount is not received as per timeframe, adequate safeguard measures by way of withdrawal of rebate along with interest and penalty, if any, (to be notified) has been provided in the Scheme.

13. I have been importing the raw material under advance authorisation and making exports of the goods against such authorisation. What are implications of the RoDTEP on my business?

Ans: Unfortunately, the Scheme at present, provides that goods manufactured or exported in discharge of export obligations under Advance Authorization is not entitled for the Scheme. It is to be noted that the restriction is only for the goods exported against advance authorization. If the exporter is exporting other goods, there are no restrictions in claiming the benefit. The exporters would be required to:

- Determine the element of customs duty benefit availed on import of raw material viz a viz benefit available under RoDTEP on export of FG
- Ensuring that the shipping bills are filed carefully w.r.t. RoDTEP and AA benefit disclosures.
- In respect of the past transaction under AA, if SB had been filed under claim of RoDTEP, ensure that the claim is surrendered.

It is to be noted that there could be possibility of introduction of RoDTEP benefit for AA holder in future, hence this aspect should be considered while evaluating for the Scheme. The present Scheme is adversarial compared to MEIS where such holder could have claimed both the benefit simultaneously.

14. My factory has got MOOWR license. How would I claim the benefit of RoDTEP?

Ans: Products manufactured partly or wholly in a warehouse under section 65 of the Customs Act are covered in the ineligible category. Unlike SEZ, EOU etc., there is no provision for inclusion of these units in the Scheme in future also, thereby denting the overall popularity and success of the Scheme.

As the MOOWR license is taken on factory basis, the restriction under the Scheme is only in respect of such products which have been manufactured, fully or partially, in such warehouse. Hence, if the goods have been manufactured by the exporter in some other factory where MOOWR license is not held, the benefit can be claimed.

There could be possibility of MOOWR warehouse importing goods on payment of BCD also. However, once the status of MOOWR is taken for that premise, the benefit under the Scheme may not be permitted. In fact, if the job work is done by a job worker operating through warehouse u/s 65, the benefit may not be available under the Scheme to principal manufacturer. **Appears very regressive steps to deny the benefit.**

15. I have been making export of goods directly to outside India as well as merchant exporter @ 0.1% under GST. Can I claim RoDTEP?

Ans: Benefit of RoDTEP could be claimed in respect of the goods directly exported from India to outside India in respect of goods manufactured in India. In respect of goods cleared on payment of GST @ 0.1%, no RoDTEP benefit would be admissible to the person making physical exports of goods, not to the merchant exporter.

16. Whether goods can be exported on payment of GST while claiming the benefit of RoDTEP?

Ans: There are no restrictions as of now in the GST provisions to restrict the benefit of making export of goods on payment of GST simultaneous to claiming benefit of RoDTEP.

17. Capital goods have been imported under EPCG license to neutralise the BCD cost. What would be implications on my business under RoDTEP?

Ans: The restriction under Scheme does not cover the capital goods under imported EPCG Scheme. Thus, you may continue to claim the benefit of EPCG and RoDTEP simultaneously.

18. What is the effective date of claiming the RoDTEP? When do I expect that the benefit of RoDTEP credited to my account for the first time?

Ans: RoDTEP has been made effective from 1st January 2021 in respect of those exports where intention to claim the benefit has been manifested on the shipping bills. In respect of EOU, SEZ, AA etc., the benefit of RoDTEP may be implemented in future at the date to be decided by appropriate authority.

19. Whether RoDTEP would be awarded in my bank account similar to duty drawback?

Ans: RoDTEP would be issued in the form of transferrable scripts which could be used for paying Basic Customs Duty on import of goods or may be transferred electronically to other party. The benefit will not be in the form of direct credit to the bank account.

20. How would I be able to use the RoDTEP scripts? Whether these are transferrable scripts?

Ans: Yes, scrips issued under the RoDTEP are the transferable duty credit/ electronic scrip (e-scrip) which will be maintained in an electronic credit ledger by the CBIC. In other words, these e-scrips would be transferable.

Based on the previous advisory issue by ICEGATE and the press release by Ministry of Finance, the following could be inferred - The owner of the scrip (either the original exporter beneficiary or any other IEC to whom the scrip was transferred on ICEGATE portal) will be able to use the scrip in the Bills of Entry the same way as any other duty credit scrips issued by DGFT, by giving the details in the license table of the Bill of Entry.

The scheme code to be used for these scrips would be “RD” along with the applicable Notification Number. The scrip can be used for the purpose of payment of Basic Customs Duty.

However, the rules and procedures to implement the scheme is yet to be issued by the Department of Revenue.

21.If I have not been able to mention the option of claiming RoDTEP in shipping bills in respect of the past transactions, what should I do now?

Ans: W.e.f. 01.01.2021, it is mandatory for the exporters to indicate in their Shipping Bill whether or not they intend to claim RoDTEP on the export items. However, since the final list of HS codes eligible for RoDTEP scheme and the corresponding rates were not notified by the Government for the period between 01.01.2021 to 17.08.2021, this declaration might have been missed by few exporters.

Although, it has been categorically specified by the CBIC that, if RODTEPY is not specifically claimed in the Shipping Bill, no RoDTEP would accrue to the exporter i.e., even though the items and rates are not notified the Government for RoDTEP yet, the exporters must indicate their intent for claim at the time of Shipping Bill filing itself and that once the rates are notified, system would automatically calculate the RoDTEP amounts for all the items where RODTEPY was claimed. It has also been categorically provided that no changes in the claim will be allowed after the filing of the EGM.

Since the detailed rules and procedure regarding the grant of the RoDTEP claim and implementation issues including the manner of documentation etc. are yet to be notified. It is expected that due care would be taken in the rules to provide for belated declarations in respect of the past exports.

However, in case no such benefit is provided, then the exporter needs to firstly check the possibility of making changes in the details of the claim indicated in the export documentations already filed and based on which whether the system is automatically calculating the RoDTEP amounts for all the items where RODTEPY was claimed. In case the same is barred by the placing the system restrictions, then the matter needs to be represented before the authorities or one can consider filing a writ petition before the jurisdictional High Court challenging such a restriction.

22.If the option of claiming RoDTEP was opted in the past export transactions but considering the various restrictions, it is no longer beneficial for me for e.g., AA holder, MOOWR license holder. What should I do now?

Ans: It could be possible that an exporter considers to opt for the other beneficial schemes such as Advance Authorization, MOOWR, EOU, Jobbing etc. instead of RoDTEP. In this case, it is expected that there would be some checks built in the system to disallow RoDTEP benefit where the benefit of certain other schemes like Advance Authorization, EOU, Jobbing etc. has been availed. While some checks would be built in within the system at the time of filing the Shipping Bill i.e., the exporter (or the authorized Customs Broker) has to submit the statement as mentioned in para 2(b) with the Shipping Bill that no undue benefit would be availed.

However, despite such declaration or otherwise, if the e-scrips are credited to any exporter which the said exporter does not intend to claim either due to that being not more beneficial than the other schemes or it being ineligible, then the exporter must immediately remit back the benefit received by making the payment through an online challan or any process which could be provided in the rules and procedures notified by Department of Revenue.

23.What is the broad procedure of claiming the benefit of these e-scrips?

Ans: The broad procedure of claiming the benefit of these scrips is as under:

- (i) To avail the scheme exporter shall make a claim for RoDTEP in the shipping bill by making a declaration.
- (ii) Once EGM is filed, claim will be processed by Customs.
- (iii) Once processed a scroll with all individual Shipping Bills for admissible amount would be generated and made available in the users account at ICEGATE,
- (iv) User can create RoDTEP credit ledger account under Credit Ledger tab. This can be done by IECs who have registered on ICEGATE with a DSC.
- (v) Exporter can log in into his account and generate scrip after selecting the relevant shipping bills.

24. How can one create an e-credit ledger?

Ans: RoDTEP Credit Ledger can be used by the Importer/Exporter/CHA only after creating a successful credit ledger account at ICEGATE. Below are the steps to create a RoDTEP Credit Ledger Account with ICEGATE.

Step 1: User can select the option of RoDTEP (credit ledger) account creation by clicking on the “RoDTEP” tab under the “Our Services” section of <https://www.icegate.gov.in/> as indicated.

Step 2: User will be directed to the login page. After log in using valid credentials, user will be able to see the Credit Ledger option on the left panel as shown below. If user is not registered, they can get themselves registered as per advisory through this link: <https://icegate.gov.in/Download/JavaSetupForDSC.pdf>

Step 3: Since the user has not created a credit ledger account initially, the following page will be displayed. The user can select the scheme name from the drop-down as RoDTEP.

Step 4: After Credit Ledger account creation is done by the user, a grid view with the following details will be displayed to the user.

User can perform various operations mentioned as follows from this Home Page:

- Scroll Details
- Scrip Details
- Transaction Details
- Transfer Scrip
- Approve Scrip Transfer

25. How a user can claim the benefit of the scheme in the Shipping Bill?

Ans: Based on initial advisory issued by ICEGATE following could be inferred, however conclusion could be made only after the notification of rules and procedures by Department of Revenue:

In order to claim the benefit of the RoDTEP, 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 not availed.

INFO MSR = Quantity of the items in Statistical UQC as per the Customs Tariff Act for that item
RITC INFO UQC = UQC for the Quantity indicated in INFO_MSR

Additionally, for every item where RODTEPY is claimed in INFO CODE, 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 for RoDTEP availed items would indicate that the exporter has made the necessary declaration, while claiming RoDTEP benefit.

Based on the above declarations, system would process the eligible RoDTEP. Options have been made available in system for officers to generate RoDTEP scrolls. Once the scroll is generated, the respective amounts would be available with the exporter as credits on the ICEGATE portal. Scrips once generated will reflect in the exporter's ledger and will be available for utilization in paying Basic Customs Duty during imports or for transfer to any other entity having IEC and a valid ICEGATE registration.

26. How a user can claim the credit and generate the e-credit scrips on the online ICEGATE Portal?

Ans: Once the RoDTEP scroll is generated, the credits allowed will be available within their ICEGATE login of the exporter to claim and convert into a credit scrip. In case the exporters have not registered on ICEGATE already with their digital signatures, they may refer to this advisory (2_Advisory_Registration_APPROVED.pdf (icegate.gov.in)) and complete registration in order to avail the benefits of RoDTEP.

The exporter will be able to club the credits allowed for any number of Shipping Bills at a port and generate a credit scrip for the same on ICEGATE portal. 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. A detailed advisory for the benefit of the exporter on the scrip generation, ledger maintenance and transfer facilities will be published soon on ICEGATE. These facilities will be made available once the final RoDTEP rates are notified and scroll generation is enabled.

27. What is the procedure for transfer of the e-credit scrips?

Ans: Once a person has created an electronic credit ledger account in its ICEGATE portal, then it can transfer a scrip to another person. It is important to note that the person to

whom the e-scrip is issued must also possess a valid credit ledger account. The following steps need to be carried out to transfer the scrips:

- (i) Select the “Transfer scrip” tab to transfer a particular scrip to any other user.
- (ii) The scrip to be transferred from the generated scrips must be selected. The list of the generated scrips is available in the drop-down menu along with the “Scrip Available” Option.
- (iii) Upon selection, the user can view the scrip amount and enter the IEC of the user to which the scrip is to be transferred. These details, of the IEC holder to whom the user wants to make a transfer, can be entered in the textbox alongside the “Enter Transferee” option.
- (iv) OTP is generated and sent to the user who has initiated the transfer on the registered mobile number and email ID.
- (v) After successfully transferring the request, Scrip will be viewed in a grid on the same page. The user who has initiated the transfer scrip request can cancel the request at this stage using the cancel button as shown below.
- (vi) An approval request is sent to the IEC for whom a transfer request has been initiated by the user. This IEC holder to whom the request has been sent can either approve or reject the request in the “Approve scrip transfer” tab.
- (vii) After clicking the Approve button, the transferee is directed to fill OTP which is sent to the transferee over the registered mobile number and email ID. The Scrip will be transferred to the transferee after successful OTP validation.

28. What is the declaration that needs to be filed at the time of filing the Shipping Bill?

Ans: At the time of filing the shipping bill under the RoDTEP scheme, following declaration must be filed:

“I/We, in regard to my/our claim under RoDTEP scheme made in this Shipping Bill or Bill of Export, hereby declare that:

I/ We undertake to abide by the provisions, including conditions, restrictions, exclusions and time-limits as provided under RoDTEP scheme, and relevant notifications, regulations, etc., as amended from time to time.

Any claim made in this shipping bill or bill of export is not with respect to any duties or taxes or levies which are exempted or remitted or credited under any other mechanism outside RoDTEP.

I/We undertake to preserve and make available relevant documents relating to the exported goods for the purposes of audit in the manner and for the time period prescribed in the Customs Audit Regulations, 2018.”

29.What would be role of DGFT portal in claiming rebate?

Ans: The administration of the Scheme would be done by the Ministry of Finance. The generation and utilisation of rebate benefit should be done through portal designed by the MoF. Hence, there do not appear any use of DGFT portal in the process.

30.Whether ledger to be maintained at GSTIN level or IEC level?

Ans: The ledger should be maintained at IEC level.

31.Whether I need to register at the port for the purpose of claiming and utilisation and RoDTEP benefits?

Ans: Registration on the ICEGATE online portal and creation of the e-credit ledger seems to be the sufficient compliance to avail the benefit of this scheme. The registration at the port code of export as was required under the erstwhile MEIS scheme seems not required under this scheme. This is more so because the entire mechanism of issuance, processing, generation and utilization of the scrips is being carried out through a common portal in the ICEGATE. However, we need to wait for the detailed rules and guidelines to get complete clarity on this requirement.

32.We have exported samples from India to outside India. Can we claim the benefit of RoDTEP?

Ans: It is pertinent to note that the benefit of this scheme is allowed subject to the receipt of sale proceeds within the time allowed under the Foreign Exchange Management Act, 1999 failing which such rebate shall be deemed never to have been allowed. Although, the rebate would not be dependent on the realization of the export proceeds at the time of issuance of the rebate, however adequate safeguards would be put in place to avoid mis-use on account of non-realization of the export proceeds.

Since, in the case of issuance of samples on FOC basis, no export proceeds are realised in the convertible foreign exchange, therefore the exporter would not eligible for the

RoDTEP benefit in respect of goods issued as free samples. However, if the free samples are exported well within the limit provided vide Guidelines of RBI under FEMA the possibility of RoDTEP could be evaluated.

33. I am a textile manufacturer and exporter. Can I claim ROSCTL along with RoDTEP?

Ans: It is pertinent to note that the Rebate of State and Central Taxes and Levies (RoSCTL) Scheme is eligible for the export of apparels and made-ups only, i.e., the textile goods covered under Chapter 61, 62 & 63 of the HS Tariff Code. The RoSCTL scheme is affected from 07.03.2019 to 31.03.2020 as per Para 4.01 (c) of FTP 2015-20. Further, On July 14, the Cabinet approved the continuation of the Rebate of State and Central Taxes and Levies (RoSCTL) scheme under which garment exporters will continue to get a rebate on central and state taxes on their outward shipments till March 2024.

Now, upon review of the Appendix 4 issued under the RoDTEP scheme along with the Notification No. 19/ 2021, it is noted that the simultaneous benefit under the RoDTEP scheme is not provided for goods covered under HS Chapter Code 61, 62 and 63, which inter alia means that an inbuilt restriction is put in place to ensure that the simultaneous benefit of both the schemes are not availed.

34. Can I get the benefit of RoDTEP in case of merchanting transactions?

Ans: In case of merchanting transaction, the movement of goods commences and concludes outside India. These are covered in the ineligible categories for the benefit of RoDTEP.

35. Whether RoDTEP benefit can be claimed for the services provided outside India?

Ans: It is to be noted that the benefit under the scheme can be claimed only in respect of the duties/ taxes/ levies etc. borne on the **exported product** either used for production of the exported product or for its distribution. However, the present scheme does not allow the benefit in case of service exports outside India.

36. I am a work contractor and have been executing works contract internationally. Can I claim the benefit of RoDTEP?

Ans: Since, a works contract involves a composite contract covering the supply of goods along with the provision of a service. Therefore, if any person is executing a works

contract internationally and in the course of execution of such contract, if any goods are exported outside India, then the said person must be eligible for the RoDTEP in respect of the goods so exported. However, as explained above the service exports in the course of works contract would not be eligible for the benefit.

37. Some of the ports in the country may not be functioning as EDI port and exports are made through such ports. Can I claim the benefit of RoDTEP in respect of goods exported through such ports?

Ans: Since, the entire scheme is designed under the backbone of the electronic interface, it has been specifically provided by the Department of commerce vide its Notification No. 19/2021 Dt. 17.08.2021 in para 4.55 that exports for which the electronic documentation in ICEGATE/ EDI has not been generated or the goods are exported through a non-EDI Ports, then the same would be qualified under the ineligible supplies/ items/ categories under the scheme. In our view, this restriction is unjust, incorrect and arbitrary as the exporter could not suffer due to failure of government to technologically update its IT infrastructure and must be challenged by way of a Writ petition before the jurisdictional High Court.

38. There could be State specific taxes (i.e., varying rate of tax on petrol and diesel in different States). Whether RoDTEP scheme considers the State specific impacts of such taxes?

Ans: Although, the very objective and purpose of implementation of this scheme is to provide rebate of the various taxes, duties and levies at central, state and local level. However, to the extent of the details of the scheme notified vide Notification No. 19/2021 Dt. 17.08.2021, it is seen that there is no mechanism provided to claim the benefit based on the actual cost incurred by the exporters due to these levies. Instead, a standard percentage is prescribed either as a rate to be derived on the FOB value along with a value cap in some cases or as a fixed quantum of rebate amount per unit. Different rate, value cap etc. has been provided for different products. However, no option is provided for the exporter to compute the benefit on actual cost basis, thereby not considering the impact of the differential levies at a local level.

39.What should I do if my products have not been covered in the RoDTEP Scheme?

Ans: It is pertinent to note that unlike the earlier MEIS scheme, the present RoDTEP scheme operates under the budgetary framework wherein the budget would be derived towards this scheme for each financial year and necessary calibrations and revisions shall be made to the scheme benefits, as and when required. The sequence of introduction of the scheme, across sectors, prioritization of the sectors to be covered, degree of benefit to be given to the various items would be decided and notified by the Department of Commerce in consultation with the Department of Revenue.

Accordingly, the rate of rebate/ value cap per unit is notified in Appendix 4. It is provided in Notification No. 19/2021 issued by the Department of Commerce, that efforts would be made to review the RoDTEP rates on an annual basis and to notify them well in advance before the beginning of the financial year.

Therefore, if any sector or goods are not covered under the scheme or having been covered, the quantum of benefit is low as compared to the actual cost of taxes incurred, then a timely representation must be filed before the ministry so that an appropriate rate/ value cap gets covered/ calibrated at the time of next review.

40.What is the role of classifications of the goods for the purpose of claiming the benefit of RoDTEP?

Ans: Correct classification of goods at a proper 8-digit HS code level plays a very important role under the RoDTEP scheme as the entire rate/ value structure of the scheme is derived based on the HS Code system. In other words, if one has to identify the rate/ value of rebate available to their product, then the same can be done based on the corresponding 8-digit level HS code assigned to the product. Therefore, it is suggested that the exporters thoroughly review their HS codes for various products that are exported by them and reassure the correctness of the claim under the scheme. E.g., auto mobile parts classifiable under general purpose items under chapter 73 are not eligible for RoDTEP whereas as other automobile parts covered in chapter 87 are entitled for the benefit of RoDTEP.

41.How do I compute the impact assessment of RoDTEP in my business?

Ans: Now that the various products on which the benefit under the scheme is eligible along with the rate/ value cap of the benefit is provided by the government, it would be

imperative for the businesses to make an impact assessment of the rebate on the business. Various aspects to be looked into in the course of this assessment are as under:

- Eligibility of the scheme on the various products along with the rate/ value cap must be clearly identified;
- HS classification codes opted must be revisited and recalibrated to correctly avail the benefit under the scheme;
- Evaluation of opting for RoDTEP benefit or to opt for MOOWR, EOU, Advance Authorisation benefits etc. A detailed cost benefit analysis must be performed so that an appropriate, informed and a timely decision can be taken;
- Review of the actual cost of taxes, levies incurred vis-à-vis the benefit expected under this scheme and the net marginal cost/ benefit;
- Change in the pricing of the goods considering the benefit given under the erstwhile MEIS/ SEIS and the RoDTEP scheme i.e., passing on the benefit/ cost in the supply chain;
- Reviewing the vendor contracts and the pricing fixed considering the benefit now available under the RoDTEP scheme;
- Review of the customer contracts in case of manufacturer exporting the goods through a merchant.
- Various other suitable implementation actions must be immediately taken depending upon the impact on each exporter.

42. Whether there is concept of special rate fixation under RoDTEP similar to the special brand rate of drawback?

Ans: No, as per the concept note and various other policy level documents available in the public domain and as per the Notification No. 19/2021 Dt. 17.08.2021, it is seen that presently there is no mechanism to fix a brand rate as in the case of drawback based on the actual actual cost incurred by the exporters on account of various taxes and levies. As per the present understanding of the scheme, only a standard percentage is prescribed either as a rate to be derived on the FOB value along with a value cap in some cases or as a fixed quantum of rebate amount per unit. Different rate, value cap etc. has been provided for different products. Further, since the claim processing is automated based on the details submitted in the shipping bill, it looks that presently no option is provided for the exporter to compute the benefit on a brand rate basis of the actual cost.

43. Whether RoDTEP benefit can be claimed on the export of goods exempted from levy of GST?

Ans: It is pertinent to note that one of the essential features of this scheme is that the benefit is available in respect of the goods exported i.e., the benefit is available in case where the goods are physically exported out of India to a place outside India. Further, no restriction is carved out in cases where the goods exported are exempted from GST. In other words, even if the goods exported outside India are exempted from GST, still the benefit of RoDTEP can be claimed as long as the said goods are physically exported outside India and all other conditions provided in the scheme are satisfied.

44. What would be impact on the RoDTEP benefit if one has been selected as risky exporter?

Ans: Several cases of monetisation of credit fraudulently obtained or ineligible credit through refund of Integrated Goods & Service Tax (IGST) on exports of goods have been detected in the past. In order to restrict such fake exports being done mainly to avail the GST refund and other benefits and incentives under the Customs law. The CBIC through Directorate General of Analytics and Risk Management (DGARM) has been identifying the risky exporters. Once an exporter is identified to be a risky exporter, then the refund claim under GST including other benefits viz., drawback, MEIS etc. for that exporter is blocked i.e., the scrolls in respect of such exported would be kept in abeyance for verification until the completion of the verification by jurisdictional CGST or by Customs officials.

Further, it is provided in the Notification No. 19/ 2021 issued in the context of RoDTEP that necessary provisions would be provided for suspension/ withholding of the RoDTEP in case of frauds and misuse, as well as imposition of penalty will be built suitably by the CBIC.

45. Whether SWS, health cesses etc may be paid by utilising the credit scrip?

Ans: Social Welfare Surcharge (SWS) is levied under Section 110 of Finance Act, 2018 as a duty of Customs. For instance, the SWS is calculated at the rate of ten per cent on the aggregate of duties, taxes and cesses which are levied and collected under section 12 of the Customs Act, 1962 and it is in addition to any other duties of Customs or tax or cess chargeable on imported goods.

The RoDTEP benefit is provided by way of an e-credit scrips issued under remission scheme for exporters under the Foreign Trade Policy. As per Para 4.56 of the Foreign Trade Policy 2015-20, these scrips can be used for payment of Basic Customs Duty only. It is to be noted that the cesses are a separate levy made under a separate enactment and the collections generated out of the proceeds for cesses are used for some specific purposes. Although, it is levied as a duty of customs, but that by its elves does not make it a Basic Customs Duty. Hence, it is to mention that the debit of SWS through e-credit scrip is not envisaged in the FTP and hence the same needs to be paid through a separate challan in cash.

This aspect is also clarified by the CBEC vide its Circular No. 2/2020-Cus., dated 10-1-2020 in the context of utilisation of SWS for the purpose of MEIS, SEIS etc. The analogy explained above may also apply to Health cess.

46. Whether the e-credit scrip issued under RoDTEP can be used for making payment of Additional duties of Customs/ IGST?

Ans: It is to be noted that additional duties of customs and IGST are levied under section 3(1), 3(3) and 3(5) of the Customs Tariff Act. Earlier, as per Para 3.02 of the Foreign Trade Policy 2015-20, these duty credit scrips would be used for payment of Basic Customs Duty and Additional Customs Duty specified under sections 3(1), 3(3) and 3(5) of the Customs Tariff Act, 1975 for import of inputs or goods and for payment of Central Excise duties on domestic procurement of inputs or goods. However, under the RoDTEP scheme, this benefit is restricted to only the Basic Customs Duty. Therefore, in our view the e-credit scrip issued under the RoDTEP cannot be used for the debit for payment of additional duties of customs.

47. Some of the goods exported by me are used goods. Whether RoDTEP benefit could be claimed in respect of such goods?

Ans: It is pertinent to note that a restriction is brought under Notification No. 19/ 2021 vide para 4.55 providing that the benefit of the scheme would not be available in respect of the goods which have been taken into use after manufacture.

48. Whether rebate could be claimed on international jobbing transactions?

Ans: No, these are specifically covered in the excluded categories.

49. Whether RoDTEP benefit can be claimed on the goods exported through e-commerce operator?

Ans: Sale of goods through an online platform by way of an e-commerce is now very common and the same is not an exception for transactions that are undertaken in the course of international trade and commerce. If any goods are sold based on the orders placed by the customers outside India through an online platform, then the benefit of the scheme should be eligible provided there is a physical export of the goods from an EDI port. Also, the corresponding shipping/ Airway bill must be in the name of the exporter.

50. Whether there would be any audit by department to validate the correctness of claims made by me?

Ans: It is provided in the Notification No. 19/ 2021, that the exporter would be required to keep records substantiating the claim made under the scheme. A monitoring and audit mechanism with an IT based Risk Management System (RMS) would be put in place by the CBIC, Department of Revenue to physically verify the records of the exporters on a sample basis. Sample cases for physical verification will be drawn objectively by RMS, based on risk and other relevant parameters.

*(For any feedback or queries, please write us at
ashish@hiregange.com or ravikumar@hiregange.com)*