

## **Hit to exports: Exporters fear low RoDTEP refunds**

As the government prepares to notify refund rates under the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme, exporters fear the rates may turn out to be lower than recommended by a technical committee. Inadequate remission of taxes would result in residual embedded taxes in export products and hit Indian industry's competitiveness in world markets at a time shipments are witnessing a nascent recovery.

RoDTEP is an entirely new scheme meant for remission of taxes embedded in exports. It cannot be compared with the MEIS, which was an incentive scheme, where the benefits could have been extended in an arbitrary manner.

Since exporters themselves have no foolproof data or even complete knowledge of all taxes embedded in the export products, the committee has had a difficult task of determining the RoDTEP rates for as many as 8,000 tariff lines. The exercise has been done in a manner as comprehensive as possible in keeping with principle that taxes are not meant to be exported.

Sections of the exporters' community, however, fear the government could slash the RoDTEP rates to limit the cost to the exchequer. Any such move will delay a recovery in exports, which have maintained a roller-coaster ride in the wake of the Covid-19 outbreak.

The RoDTEP replaced the 'WTO-incompatible' MEIS from January 2021 but the refund rates are yet to be declared. Under MEIS, most exporters were getting scrips amounting to 2-5% of the freight-on-board value of the shipment.

Indian exporters are already struggling with volatility in demand from many key markets like the US and EU in the aftermath of the pandemic; the need for a higher-than-usual degree of market diversification is another challenge.

Exporters have asked the government to notify the RoDTEP rates at the earliest. Since exporters typically factor in the "incentives" they get under key schemes while firming up deals, the absence of clarity on RoDTEP rates is hurting their prospects.

The Pillai committee was set up only in late July last year to undertake a humongous exercise of recommending RoDTEP rates for thousands of products

The scheme is proposed to cover levies that are not subsumed by the GST (petroleum and electricity are still outside the GST ambit, while other imposts like mandi tax, stamp duty, embedded central GST and compensation cess, etc, remain unrebated).

Source: The Financial Express