

The Union Cabinet

Export Incentives under review in light of a new Foreign Trade Policy

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Relevant to all Mahindra Businesses

Background

- There has been lot of apprehensions in the industry about the new scheme – RoDTEP (Remission of Duties and Taxes on Exported Products) which is going to replace MEIS (Merchandise Exports Incentive Scheme).

What is MEIS?

- FTP introduced MEIS for the period 2015-2020 as an incentive scheme for the export of goods. Exporters get the rewards by way of duty credit scrips to exports. With WTO controversies and lack of incentives on certain taxes, duties on state & local levels, cabinet approved RoDTEP in 13 March 2020.

What is RoDTEP?

- India is losing to US over the export subsidies. The introduction of RoDTEP will replace MEIS scheme. The RoDTEP scheme will cover the levies that are currently non-reimburse in nature and make exports zero-rated in sync with the best global practices along with certain taxes/duties/levies outside GST.
- With the taxes during manufacturing such as getting refund for exports, such as, VAT on fuel used in transportation, Mandi tax, Duty on electricity used during manufacturing etc. RoDTEP Scheme will cover such taxes for reimbursement.

Aspect	MEIS	RoDTEP
Schema of Incentive	Additional incentive on export of goods apart from other refunds and drawbacks available on undertaking the said exports.	Refund of indirect taxes on inputs used in the manufacture of exported product which is currently not being reimbursed by any existing schemes.
WTO Compliance*	Non-compliant with WTO trade norms.	Compliant with WTO trade norms.
Incentive Percentage	2% to 5% of FOB** value of exports.	Product based percentage way of reward- <i>Expected to be lesser than the existing MEIS</i> (rates to be declared later)
Mode of Issuance	Issuance in the form of transferable scrips.	Issuance in the form of transferable duty credit/electronic scrip which will be maintained in an electronic ledger.
Transferability	Freely transferable.	Freely transferable.

*As per the SCM Agreement, the gross national product should be less than \$1000.

**FOB stands for Free On Board or Freight On Board which is the value of goods excluding carriage, insurance and freight, i.e. domestic price of the goods in their country of origin.

(Source : <https://bizbrains.in/2020/06/27/which-export-incentive-scheme-is-better-existing-vs-new/>)

More actions

- While the government has replaced the Merchandise Export from India Scheme (MEIS) with Remission of Duties and Taxes on Exported Products (RoDTEP) from next year, as it was not compliant with the global trade norms, service exporters are awaiting clarity on SEIS as the notification of benefits for 2019-20 is yet to be issued.
- Under the scheme, benefit is extended in the form of duty credit scrip which enables the holder to import all goods which are freely importable without payment of basic customs duty.
- The scrip and the goods imported against the scrip are freely transferable.

For Further Reading

1. <https://economictimes.indiatimes.com/news/economy/policy/services-export-sops-scheme-revamp-soon/articleshow/79395457.cms#:~:text=SEIS%20was%20launched%20in%202015,payment%20of%20basic%20customs%20duty.>
2. <https://bizbrains.in/2020/06/27/which-export-incentive-scheme-is-better-existing-vs-new/>
3. <https://economictimes.indiatimes.com/news/economy/foreign-trade/exporters-fear-uncertainty-over-govts-move-to-cap-export-incentives/articleshow/77896697.cms?from=mdr>
4. <https://www.moneycontrol.com/news/business/trade/exclusive-government-may-initially-limit-new-export-incentive-scheme-to-3-sectors-5992951.html>