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Exporters' rebate scheme to get yet another revamp

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The government is looking to overhaul a new-look tax rebate scheme for exporters merely eight months after launch, two officials aware of the matter said, after complaints from the industry that the scheme is eroding their margins.

The Rebate of State and Central Taxes and Levies (RoSCTL) scheme, introduced in October, provides rebate against taxes and levies already paid by exporters on inputs. The rebate is not given as cash but as tradeable scrips, which exporters can sell to importers. Importers can then use these scrips to pay customs duty, instead of paying in cash. However, exporters complain these scrips are trading at a steep 20% discount, defeating the purpose of the scheme.

As of now, these scrips can be traded even before export realization, with the liability falling on importers. The government feels the scrips are trading at a discount because of this risk component, and plans to make them tradeable only after full export payments are received, which would eliminate the risk factor. It is also likely to double the eligibility of these scrips to 24 months from 12 months now.

Exporters say their margins are eroding under the rebate scheme BLOOMBERG

"We are aware of the issues faced by exporters under the RoSCTL scheme and the fact that they are unable to fully benefit from the scheme. We are analysing the reasons and discussing options to address these. Suitable changes will be made in the current scheme after consultations and review," a government official said on condition of anonymity.

Another official said one of the options is to allow transfer of scrips only after export realization, to address the issue of liability falling on importers who buy these scrips.

"If the trading happens only after export realization, the eligibility period of the scrip could be increased from 12 months to 24 months. That way, the government's outgo would also get spread over two years," he said.

The Apparel Export Promotion Council (AEPC), in a statement, said the scheme in its current form is eroding export margins of the domestic textile industry. Garment units say they are facing losses of ₹1,200 crore with the discount on tradeable scrips rising from 3% to about 20%, benefitting importers who

TURN TO PAGE 13