

● NO EXTRA BUDGETARY OUTLAY

Key tax remission scheme expanded for exporters

Govt has acceded to a long-pending request from industry

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THE GOVERNMENT HAS decided to include sectors like steel, pharmaceuticals and chemicals in its flagship tax remission scheme from December 15, without, however, raising the budgetary allocation for it for the current fiscal.

Amid a slowdown in exports, the commerce ministry has acceded to a long-pending request from industry to widen the scope of the scheme.

However, as FE had reported last month, the finance ministry had expressed its inability to raise FY23 budgetary allocation for the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme, given the limited resources.

It had budgeted ₹13,699 crore for the RoDTEP scheme for the current fiscal, up 10% from the revised estimate of ₹12,454 crore for FY22.

The commerce ministry is now hoping to accommodate a larger number of exporters within the same allocation or through savings, because export growth may fall short of the level based on which the outlay was initially earmarked, one of the sources said. The drop in exports of certain products that typically attract high tax-remission (such as cotton yarn, fabrics, etc) has also created the space to extend relief to some others, he added.

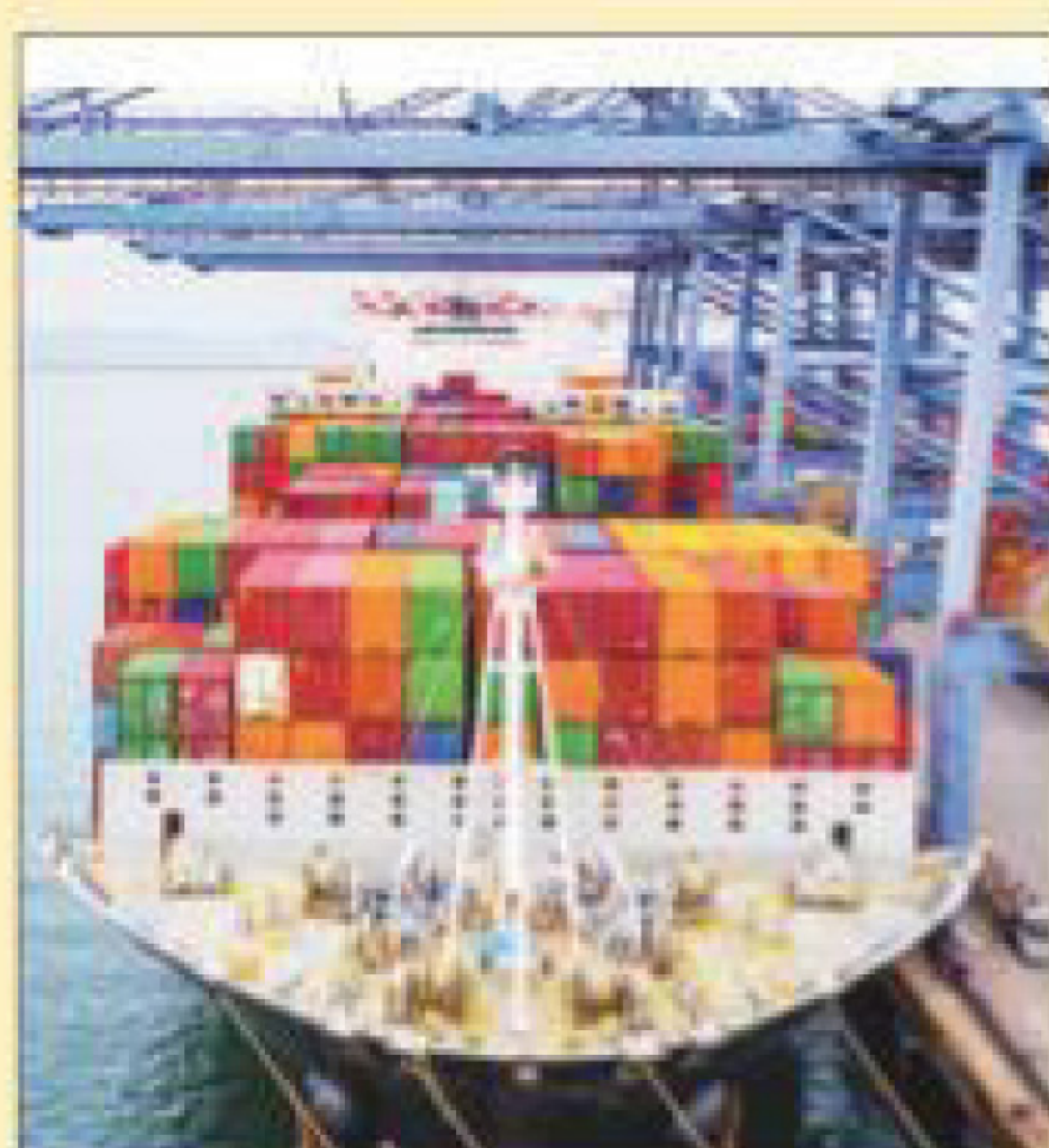
Also, the relief to the additional sectors will be made available only for the remaining three-and-a-half months of this fiscal, and not for the entire fiscal.

The expansion could cost the ministry about ₹1,000 crore in FY23, said another source.

Under this RoDTEP scheme, eligible exporters get refunds in the range of 0.3% to 4.3% of the freight-on-board value of the exported products.

According to a commerce ministry notification, the changes will be effective from December 15, 2022 to September 30, 2023. The inclusion of more sectors will widen the number of products to be covered under the RoDTEP to 10,342 from the current 8,731.

An official source had last month told FE: "The revenue department is of the view that, given the limited resources, the request (for additional RoDTEP



MORE THE MERRIER

■ The expanded scheme to include steel, pharma and chemicals; but such exports from only Dec 15 to be eligible for relief

■ Given the resource crunch, revenue dept had cited its inability to raise FY23 RoDTEP outlay from ₹13,699 cr

■ Commerce ministry hopes to manage within the same outlay, as exports may fall short of the level based on which the outlay was budgeted

allocation can't be accepted. There are important areas and schemes that require larger allocations more urgently, which the finance ministry has to look into at this stage."

Exports of pharmaceuticals, chemicals and iron & steel (that are outside the RoDTEP ambit) totalled \$88 billion in the last fiscal, having recorded an over 31% jump from a year before. They accounted for almost 21% of the country's overall merchandise exports in FY22.

Analysts have argued that sustained and adequate remission of taxes, in addition to structural reforms, will help exporters improve their competitiveness and better equip them to boost shipments at a time when demand from key markets, such as the US and the EU, has started to falter due to an economic slowdown there.

It also remains critical to India's efforts to scale up goods exports to the targeted \$1 trillion by FY30 from \$422 billion in FY22. Merchandise exports dropped 16.7% in October, the first drop in 20 months and the worst since May 2020, thanks to a demand slowdown in the key markets. It prompted the commerce ministry to mull steps to reverse the slide.