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Ministries lock horns over export schemes

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Two ministries — finance, and commerce and industry — are at loggerheads over fiscal support for exporters.

While Revenue Secretary A B Pandey has pressed for withdrawing the Merchandise Exports from India Scheme (MEIS) once an alternative one for all export sectors is implemented, Commerce Secretary Anil Wadhawan has pitched for a phased withdrawal, sources said.

The revenue department has pitched for strict closure dates of any new reward schemes for exporters, or else they will stay valid till the end of the fiscal year in which these are introduced, sources added.

Here, the commerce department said it would assess and seek financial allocation on a yearly basis.

The commerce department floated a Cabinet note last week, suggesting a replacement of the MEIS with the World Trade Organization-compliant Rebate of State and Central Taxes and Levies (RoSCTL) as one of the options.

The commerce department last month pitched for the additional 2 per cent MEIS, introduced in 2017 for a few months, as a transitionary measure.

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ON THE ROAD

2015: MEIS introduced as part of the Foreign Trade Policy

2016: Coverage expands to more than 5,000 items

2017: Additional MEIS of 2% introduced

March, 2019: RoSCTL introduced for apparels and garments

March, 2020: Validity of MEIS to end

Notes:
MEIS: Merchandise Exports from India Scheme
RoSCTL: Rebate of State and Central Taxes and Levies

Ministries...

The RoSCTL is in place since March for the apparel and made-ups sector.

The textiles ministry wanted continuing the MEIS simultaneously for a few months. However, the revenue secretary turned down the suggestion on the grounds that it would cost an estimated at ₹5,131 crore a year and sought the immediate withdrawal of MEIS after the RoSCTL or any other scheme was introduced, sources said.

"While the revenue department wants the new scheme to be rolled out in three months, the commerce department has batted for a longer time frame and a staggered implementation to cover all export sectors," said a government source.

Under the RoSCTL, the Directorate General of Foreign Trade will give the benefit to exporters in the form of duty credit scrips similar to the MEIS. But unlike now, it will be IT-driven and will rebate all embedded state and central taxes on paid inputs. This includes the value-added tax on petrol, mandi tax, electricity duty, and stamp duty on all export documents, among others. "It had been decided in inter-ministerial meetings that the rate of scrips will be decided by the Duty Drawback Panel within three months of approval from the cabinet," a government official said. The MEIS, introduced in 2015 under the Foreign Trade Policy, incentivises merchandise exports of more than 5,000 items now and is the biggest of its kind. Exporters earn duty credits at fixed rates of 2 per cent, 3 per cent and 5 per cent, depending upon the product and country.

WTO battles loom

The rush to find a WTO-compliant export promotion scheme has gained pace since a dispute settlement panel was formed on July 23 at the WTO, to rule on India's export subsidies.

Reliance Cap...

Health insurance is one of the fastest-growing insurance sectors in the country, clocking 20 per cent growth annually.

It is expected to double to over ₹1 trillion by 2021. A Reliance Capital spokesperson declined to comment. Emails sent to the Ajay Piramal group and PremjiInvest did not elicit any response. A TVS Capital spokesperson said: "We don't comment on transactions. We are not looking at such an acquisition."

Sources said while investment bankers have approached the companies, a final response was awaited. Other assets Reliance Capital is working on monetising or has already done so are Reliance Nippon Life Asset Management, Reliance General Insurance, and Reliance Home Finance. The company has already exited its mutual fund business, selling it to Nippon. The entire proceeds of ₹6,000 crore will be used to reduce debt.

The company has a loan book of over ₹11,000 crore. Talks are on with AION Capital, Varde Capital, and Cerberus to sell off Reliance Home Finance said sources. It has also finalised a deal with the Jagran group to sell Big FM for ₹1,200 crore.