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RoDTEP Scheme Extended — India's Export Tax Remission Policy

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▼ On this Page

01 What is RoDTEP?

- The Core Principle: Tax-Free Exports
- What Taxes Does RoDTEP Remit?

02 Evolution: MEIS → RoDTEP

- Merchandise Exports from India Scheme (MEIS)
- RoDTEP: Designed for WTO Compliance

03 How RoDTEP Works

- Rate Structure

04 Why Extended Now?

- West Asia Crisis Impact

05 India's Export Policy Architecture

06 UPSC Relevance

✍ WHY IN NEWS

The government extended the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme by six months (April 1 – September 30, 2026) amid global trade disruptions caused by the ongoing West Asia crisis — via DGFT Notification No. 74/2025-26.

WHAT IS RODTEP?

RoDTEP stands for **Remission of Duties and Taxes on Exported Products**. It is India's flagship export promotion scheme that refunds to exporters the various Central, State, and local taxes embedded in the cost of production that are not otherwise refunded — particularly taxes that fall outside the GST/Duty Drawback

framework.

The Core Principle: Tax-Free Exports

A well-established principle of international trade is that **taxes should not be exported** — i.e., domestic taxes embedded in manufactured goods should be refunded when the product is exported, so that Indian goods compete on a level playing field globally.

What Taxes Does RoDTEP Remit?

RoDTEP covers taxes that are neither covered under GST Input Tax Credit nor Duty Drawback:

- Mandi tax
- State levies on electricity used in manufacturing
- Central excise duties on certain inputs
- Fuel used in transportation
- Various cess and levies at state level

EVOLUTION: MEIS → RODTEP

Merchandise Exports from India Scheme (MEIS)

India's earlier export promotion scheme, MEIS, provided exporters with scrips (transferable duty credit certificates) calculated as a percentage of FOB value. However, MEIS was found to violate **WTO's Agreement on Subsidies and Countervailing Measures (ASCM)** — it went beyond mere tax remission to constitute an outright export subsidy.

The **United States challenged MEIS at the WTO** in 2019 and won. India was required to withdraw MEIS.

RoDTEP: Designed for WTO Compliance

RoDTEP was introduced from **January 1, 2021** specifically to replace MEIS with a scheme that limits remission strictly to taxes actually embedded in the product — making it WTO-compliant.

HOW RODTEP WORKS

PARAMETER	DETAILS
Introduced	January 1, 2021
Administered by	DGFT (Directorate General of Foreign Trade)
Ministry	Ministry of Commerce and Industry
Remission form	e-scrip (electronic transferable credit)
Validity of e-scrip	2 years; transferable
Rates	0.3% – 3.9% of FOB value (varies by product)
Budget FY27 allocation	Rs 10,000 crore

Rate Structure

- Rates are product-specific and set by a committee under the Ministry of Commerce
- Higher rates for labour-intensive exports (garments, handicrafts, leather)
- Lower rates for capital-intensive sectors
- Rates set to match the actual embedded tax burden — no profit element

WHY EXTENDED NOW?

West Asia Crisis Impact

The ongoing conflict in West Asia has disrupted:

- **Shipping routes:** Red Sea/Suez Canal disruptions forcing ships around Africa (+10–14 days, +\$1–2 million per voyage)
- **Oil prices:** Input cost inflation for fuel, petrochemicals
- **Fertilizer supply chains:** Affecting agri-export competitiveness
- **Insurance costs:** War risk premiums significantly elevated

In this context, extending RoDTEP without rate revision provides cost relief to exporters without triggering WTO disputes.

INDIA'S EXPORT POLICY ARCHITECTURE

SCHEME	FOCUS	WTO STATUS
RoDTEP	Tax remission on all goods	WTO compliant ✓
Duty Drawback	Customs duty refund	WTO compliant ✓
Export Credit Guarantee	Credit insurance	Broadly compliant
SEZ/DESH scheme	Integrated manufacturing zones	Under review
Production Linked Incentive (PLI)	Domestic manufacturing boost	WTO compliant ✓
MEIS	Export subsidy	WTO non-compliant ✗ (discontinued)

UPSC RELEVANCE

Prelims: RoDTEP launch date (January 2021), administered by DGFT, rates (0.3–3.9% FOB), e-scrip validity (2 years), replaced MEIS (WTO violation).

Mains (GS3 — Economy/International Trade):

- How does RoDTEP differ from MEIS and why does WTO compliance matter for India's export policy design?
- Impact of West Asia crisis on India's trade — shipping disruptions, input costs, export competitiveness
- Evaluate India's export promotion strategy: is tax remission sufficient, or do structural reforms in logistics, quality, and market access matter more?

★ FACTS CORNER

RODTEP:

Full form: Remission of Duties and Taxes on Exported Products

Launched: January 1, 2021; replaces MEIS

Rates: 0.3%–3.9% of FOB value; product-specific

Form: e-scrip (electronic credit, valid 2 years, transferable)

Extended to: September 30, 2026

MEIS (DISCONTINUED):

Merchandise Exports from India Scheme

US challenged at WTO; India lost; scheme withdrawn

Provided duty credit scrips as % of FOB — ruled an export subsidy

WTO ASCM (AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES):

Prohibits export subsidies by developed countries; developing countries have transition periods

Export subsidies = those contingent upon export performance

DGFT: DIRECTORATE GENERAL OF FOREIGN TRADE; UNDER MINISTRY OF COMMERCE; ISSUES IEC, MANAGES TRADE POLICY

FOB (FREE ON BOARD): EXPORT VALUATION BASIS — PRICE OF GOODS AT THE PORT OF EXPORT, EXCLUDING FREIGHT AND INSURANCE

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