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Ref. No.MAIT/PY/2538

September 20, 2022

Shri Santosh Kumar Sarangi, IAS
Director General
Directorate General of Foreign Trade

Subject: Data for Determination of RoDTEP Rates for Advance Authorization Exports

Respected Sir,

This bears reference to seeking Data for Determination of Remission of Duties and Taxes on Exported Products (RoDTEP) Rates for Advance Authorization Exports.

In this regard, we request you to kindly refer to our earlier submission on this matter dated April 01, 2022 which was addressed to Ms. Kapil Chaudhary, Joint Secretary-Drawback, CBIC, MoF (**copy enclosed**) where MAIT had made the following recommendations:

- a) Increase the duty scrips for ICT products under the RoDTEP
- b) Extend RoDTEP benefits to all electronics manufacturers operating in SEZs and as EOUs
- c) Allow exporters in the electronics industry those are availing benefits under Advance Authorization (AA) and Manufacturing & Other Operation in Warehouse Regulation (MOOWR) scheme to be eligible to claim available RoDTEP benefits

Sir, coming specifically to the ask pertaining to allowing RoDTEP benefits to exporters availing benefits under Advance Authorization (AA) and MOOWR, the cost of embedded taxes is the same as that of a DTA and MOOWR as the principal dispensation is DTA while AA and MOOWR are instruments to enable exports without duties. A brief note on Implications of Local Taxes and Duties is enclosed as **Annexure**.

As you are aware that the RoDTEP Scheme is not presently available for exporters who benefit from the Advanced Authorization (AA) and Manufacturing & Other Operation in Warehouse Regulation (MOOWR) scheme. The MOOWR scheme exempts customs duty only on raw materials and not on other taxes and duties embedded in the manufacturing of export goods like electricity, fuel and tax component in other inputs and services. Furthermore, RoDTEP in its current dispensation provides for a reimbursement of local embedded taxes which are not reimbursed to exporters. Those registered as Private Bonded Warehouses ["PBWs"] under MOOWR Scheme of Section 65 of the Customs Act have been excluded from the RoDTEP Scheme completely.

This category of exporters continues to bear the costs related to local embedded taxes such as those not reimbursed under electricity and transport etc., continue to add price inefficiencies, in pricing their products for exports rendering their products globally uncompetitive.

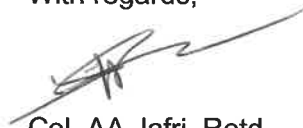
In addition to this, customs authorities have advised that exporters should be encouraged to move from the DTA to PBWs (MOOWR Scheme). The MOOWR dispensation was provided from the point of view of ease of doing business; they are not provided any other exclusive fiscal benefit. All the embedded taxes covered under the RoDTEP are being borne by units under the MOOWR

scheme and at the same cost as any DTA unit. DTA units can claim the benefit of RoDTEP scheme along with the Duty Drawback Scheme. For only DTAs to be eligible / entitled to claim RoDTEP benefits and not allowing the same benefit to Manufacturer Exporter under the MOOWR scheme appears to be an oversight. We request that this oversight / anomaly may kindly be removed in order to allow for a smooth growth of electronics exports from India.

In this context, **both these schemes are different; hence, the Government of India should allow exporters to get the benefits of the RoDTEP scheme that are already availing the benefits under the AA and MOOWR scheme.** We believe that this will bring all schemes together and can become a big step toward achieving the objective of "Make-in-India" and "Make-In-India for the World".

Look forward to your support.

With regards,



Col. AA Jafri, Retd.
Dy. COO
(Acting Director General – MAIT)

CC: Shri B V R Subrahmanyam, IAS, Secretary, Ministry of Commerce & Industry
CC: Ms. Kapil Chaudhary, IRS, Joint Secretary-Drawback, CBIC, Ministry of Finance
CC: Shri Gopal Krishna Jha, Director – Drawback, CBIC, Ministry of Finance



Annexure: Implication of Local Taxes and Duties

The most critical unremitted indirect taxes in the production process are duties/taxes on electricity and transport of inputs and exported products. The duties charged by states on electricity differ from state to state. The tax is also different for different sectors and industries. Please find the below table for the applicable duty on electricity differs state-wise as per MAIT member manufacturing units:

State	Duty on Electricity
Uttar Pradesh	7.5%
Haryana	15%
Jammu & Kashmir	14% to 22%
Himachal Pradesh	8%
Uttarakhand	15%
Tamil Nadu	5%

MAIT members have manufacturing facilities in many states like Uttar Pradesh, Haryana, Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Tamil Nadu, etc. The above table shows that the applicable electricity duties in these states differ. Hence, while calculating the implications of duties on electricity on RoDTEP scrips, there is a need to consider the variance of applicable duties.

State-owned oil companies, in June 2017, changed the 15-year-old practice of revising rates on the 1st and 16th of every month and instead adopted a dynamic daily price revision to instantly reflect changes in cost. For analysing the trend of diesel prices in the country, we have taken the example of Delhi. Data shows that on 1st October 2019, the diesel price in the UT of Delhi was INR 67.49, whereas the prices have gone up drastically over the years, and as of 1st March 2022, the diesel prices have reached INR 86.67. This shows that in Delhi, diesel prices have increased by 28.5% over the two-and-a-half years. We are of the view that the trend is similar throughout the country. We would like to state that calculating scrips based on the 2019 data may not reflect the actual position. Hence, we request the DoR and the RoDTEP Committee to consider the current pricing structure of fuel while calculating scrips.

Further, an analysis of fuel costs in Delhi shows that the total indirect taxes on diesel are approximately 60% of the cost of diesel. Whereas, the total embedded indirect tax per unit of transport in 2020 was 42.26% [5% (GST) + 36% (Fuel) + 1.26% (Tires, tubes etc.)]. The said figure was attained when the price of Diesel was at INR 72.42 per litre in 2020. In 2022, the Diesel price has now reached INR 86.67 per litre, which would have further increased the total embedded indirect tax per unit of transport.

Similarly, the embedded taxes on power consumed by the electronic manufacturing companies are approximately 68%, and the total embedded indirect tax on captive power per unit is 51% [3% (Diesel genset air pollution tax) + 48% (Fuel)]. Presently, these are not being reimbursed to exporters. Hence, we would like to request the DoR and RoDTEP Committee to consider these variances and the current applicable taxes while calculating the scrips for these products.