Incentive scheme for services exports to go

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New Delhi, November 9

THE GOVERNMENT HAS decided to do away with incentives to services exporters under the flagship Services Exports from India Scheme (SEIS). The next foreign trade policy (FTP) won't include a scheme replacing the SEIS, official and trade sources told *FE*. The FTP is expected to be unveiled in March 2023 and implemented from the next fiscal.

Given the limited resources, the government may also refrain from providing exporters the SEIS benefits for FY22 and this fiscal, one of the sources said.

"The withdrawal of incentives for services exports is being done on the basis of a cost-benefit analysis. Services exports are doing well even without the incentives. So, support should be extended to those players or sectors that require more help," said the sources.

However, the government may offer greater assistance to services exporters for marketing of select services overseas in the next FTP to help them grab orders, said the sources.

Under SEIS, the government offered domestic exporters duty credit scrips at 3-5% of the net foreign exchange earned in FY20, depending on the nature of services. In FY19, the incentives were higher at 5-7%.

Continued on Page 2

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Last year, the government announced an assistance of ₹10,002 crore to clear all the dues under SEIS until FY21. Trade analysts say the actual outgo under SEIS could be around ₹4,000 crore a year, although latest official data are not available.

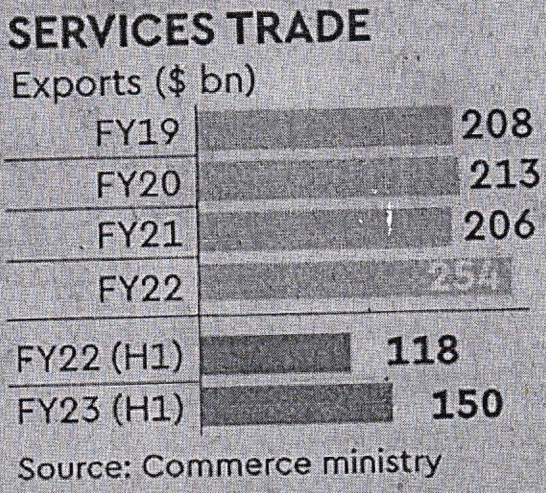
Importantly, while the Merchandise Exports from India Scheme (MEIS) has been replaced by a new tax remission scheme RoDTEP from January 2021, no such replacement is being planned for services exporters.

The plan to not extend the incentives comes at a time when exports of services are performing better than those of goods, despite a slowdown in advanced markets.

India's services exports rose 23% year-on-year last fiscal to $254 billion. Over 60% of the services exports were accounted for by software services, and companies in this space barely need any government support for exports, said an official source.

In the first half of this fiscal, overall services exports jumped 28% to $150 billion. In contrast, merchandise exports rose 17% to $232 billion, primarily driven by decent expansion in the first quarter; this growth slowed down to just 4.8% in September.

28% Growth in services exports in H1FY23, against **17%** in goods exports



A recent RBI survey suggested the US (and Canada) and Europe made up for 61.2% and 25.6% respectively, of India's exports of software & ITeS--the largest services segment--worth $118 billion in FY19.

Earlier, commerce and industry minister Piyush Goyal had exhorted industry to get out of the mindset of subsidies, as these are detrimental to the country's long-term interests.

"For example, we now give subsidies on services exports. I have gone through the list in great details, barely 2,200 companies take that subsidy. Some of them are such large names, making thousands of crores of rupees of profit, that there is no business of giving them a subsidy," he had said.

After a mid-term review of the current FTP, the government had, in December 2017, announced addi-