

Commerce dept seeks to extend 2 export schemes

SHREYA NANDI

New Delhi, 16 January

Ahead of the Union Budget, the commerce department is talking to the finance ministry on continuing two major export-boosting schemes — Remission of Duties and Taxes on Exported Products (Rodtep) for export-oriented units and special economic zones (SEZs), and the Interest Equalisation Scheme (IES).

Both expired on December 31.

In the case of Rodtep for SEZs, export-oriented units (EoUs), and Advance Authorisation (AA), the scheme has been extended till January 29 after an intervention from the Prime Minister's Office (PMO) last week. On the other hand, the IES has not been renewed although the commerce department is seeking a slightly modified version of the scheme to cover at least micro, small, and medium enterprises (MSMEs), a senior government official told *Business Standard*.

Turn to Page 6 ▶

ILLUSTRATION: AJAYA MOHANTY



EYEING EXTENSION

- Rodtep for SEZs and EoUs extended till Jan 29 after PMO intervention
- IES expired on Dec 31; renewal under discussion
- Commerce dept proposes additional allocation of ₹1,600–1,700 cr for Rodtep to extend till March 31
- Also seeks renewal of IES for 5 yrs, focusing primarily on MSMEs
- Both schemes may feature in the Budget if approved by the finance ministry

Commerce dept seeks ₹1,700 cr more for Rodtep

The commerce department is now seeking an additional allocation of ₹1,600-1,700 crore, which will allow the government to drag the Rodtep scheme till March 31.

“Rodtep has a system in which there is a 10 per cent increase (in allocation). With a 10 per cent increase, we will be able to manage next year,” the official said.

The amount allocated for Rodtep in the Union Budget for FY25 was ₹16,575 crore.

The Rodtep scheme refunds the embedded non-creditable central, state and local levies paid on inputs to exporters to boost India's exports.

The scheme came into effect in 2021, but was extended to additional export sectors — SEZs, EoUs and AA holders — only from March 11, 2024 to “help the exporting community in handling the international headwinds”. Currently, the Rodtep scheme for exports from the domestic tariff area (DTA) or the domestic market is in place till September 30.

The commerce department is hoping for approval for both schemes and an announcement on them as early as pos-

sible. If the finance ministry agrees, it could spill over and find mention in the Budget documents.

An extension for both schemes is being sought at a time when exporters are grappling with global economic uncertainties, with export growth slowing. During the pre-Budget meeting with the finance minister in North Block last month, exporters too wanted the IES to continue. The department has asked for running the scheme for five years. “The finance ministry was seeking justification for continuing the IES. We have given different options to the finance ministry. Our first preference is to continue the existing scheme. If not, we have suggested keeping non-MSMEs out of this for now,” the official cited above said.

The IES is an interest-subvention scheme under which benefits in interest rates charged by banks are given to exporters on their pre- and post-shipment rupee export credits. Lenders are, thereafter, compensated by the government. It was launched in 2015 for five years to reduce stress among them, especially in

labour-intensive sectors and MSMEs. Thereafter, the scheme has been extended periodically.

However, over the past one year, benefits under the IES have been diminishing. Earlier, the scheme was in place for 416 identified tariff lines and MSME manufacturer-exporters for all export lines. However, in June, the government extended the IES till September 30 — for MSME exporters — while other exporters, covering 410 tariff lines, were excluded.

The scheme, thereafter, was extended for three more months but fiscal benefits were slashed.

This is because the finance ministry's perception regarding the IES has been that it is not adding to competitiveness but to the profitability of the exporter.

As a result, the government was looking at the effectiveness of the scheme, keeping in mind the overall cost of finance of exporters, utilisation of the available funds and its effectiveness, correlation between export realisation and the subvention that is being provided, among other things.