A FEW STEPS LIKELY IN BUDGET

Export boosters soon

Higher tax refund rates, aid to export hubs on agenda

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THE GOVERNMENT HAS decided to initiate a raft of steps, including higher outlay for its flagship tax remission scheme for FY24 and assistance to develop various districts as export hubs, to help reverse the recent deceleration in outbound merchandise shipments.

Given the elevated interest rates, it is also weighing a proposal to increase the interest subsidy from (up to) 3% to 5% for pre-and-post shipment credit for MSME exporters manufacturing stipulated products. Some of the proposals could feature in the FY24 Budget announcements.

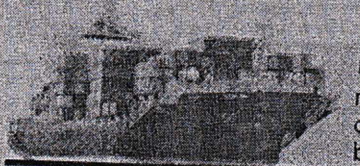
Exporters are set to gain, as the government has acknowledged "anomalies" in case of 432 products under the so-called Remission of Duties and Taxes on Exported Products (RoDTEP) scheme. Consequently, the effective refunds will rise for most of these exported products under the RoDTEP programme.

The government will likely raise allocation for its flagship tax remission

RELIEF FOR EXPORTERS

(% rise in exports, y-o-y)

Source: Commerce ministry releases



- Anomalies in tax remission for 432 exported products reviewed, refund for most items to rise
- Cabinet note moved for offering aid to develop various districts as export hubs
- Composition fees for exporters who fail to honour re-export pledge to be slashed
- Support for marketing products overseas could be raised
- Interest subsidy may be hiked from up to 3% to 5% for select exporters

RUN-UP TO THE BUDGET

scheme for exporters by 10% in the Budget for FY24 from the revised estimate for the current fiscal, official sources told *FE*. It had budgeted ₹13,699 crore for the RoDTEP scheme for FY23 and the revised estimate is expected to be around this level.

Under the scheme, eligible exporters used to get refunds in the range of 0.3% to 4.3% of the freight-on-board value of the exported products. The latest anomalies were identified by a government panel under former commerce secretary GK Pillai.

Similarly, a composition fee — which is slapped on traders who fail to honour their re-export commitment under the advance authorisation scheme (AAS) within a stipulated period and seek the renewal of permit — is being slashed. For instance, the composition fees in such cases used to be as much as 0.5% of the freight-on-board value of unfulfilled export obligation.

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capitalisation of ₹4.09 trillion.

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However, under the new regime, the fee will be fixed at flat rates of ₹10,000-₹30,000, depending on the value of the unfulfilled commitment. Under the AAS, exporters get to import inputs at zero duty after undertaking obligation to re-export finished products within a stipulated period.

The commerce ministry has also floated a Cabinet note on a new scheme to develop select districts across the country as export hubs. Under the scheme, the Centre could extend a total assistance of ₹3,000-5,000 crore to not just states but also eligible private players for creating export infrastructure in select districts. It is also considering extending greater outlay for the marketing of exported products overseas.

The set of proposals comes at a time when India's merchandise exports are faltering due to a demand slowdown in top markets like the US and the EU. Goods exports shrank 12.2% on year in December, having witnessed a marginal rise in November and a steep 16.7% contraction in October, which was the first drop in 20 months and the worst since May 2020. So, any support to boost exports of goods and services, which account for over a fifth of the country's GDP, assumes significance at this juncture.

Already, the government has stepped up efforts to ensure greater geographical diversification of exports to beat slowdown in its traditional key markets. It has also started brainstorming sessions with industry to expand the country's product basket to cater to a wider buyer base.

The ministry has also started in-depth, product-wise analysis to identify export opportunities in markets beyond the traditional ones.

Having hit a record $422 billion in FY22, India's exports started faltering in recent months, thanks to the Ukraine war and the interest rate tightening by key central banks that will hit growth in advanced economies.

The International Monetary Fund has forecast only 0.5% growth for Europe and 1% for the US for 2023, against the projected expansion rates of 3.1% and 1.6%, respectively, for this year. The World Trade Organization (WTO) has estimated only 1% growth in global trade volume for 2023. This will weigh on the prospects for India's export growth as well.