STEADY HAND IN CHOPPY WATERS

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THE Trump administration's tariff turmoils have forced the world to find new markets and make exports easier—India is no exception. In June, the government provided relief to exporters by reinstating a scheme—remission of duties and taxes on exported products or RoDTEP—to reimburse exporters for taxes, duties, and levies at the central, state, and local levels that are not refunded under other programmes but are incurred during manufacturing and distributing export products.

The commerce ministry said on Tuesday it would extend the scheme until March 2026. It's time to note what has been holding back the full effect of the incentive—the impact of frequent and often abrupt amendments done to keep up with the global trade rearrangement.

Implemented in 2021, RoDTEP is a key tax-based incentive extended to exporters operating with advanced authorisation and from export-oriented units and special economic zones. It aims to improve competitiveness by preventing double taxation. The current remission rates in India range from 0.3 to 4.3 percent of the free-on-board value of exports.

Such tax refunds on exports are allowed under World Trade Organization (WTO) rules and are standard practice in many countries, such as the Reintegra rebate programme in Brazil and China's rebate on value-added tax on exports.

RoDTEP replaced the earlier merchandise export incentive scheme or MEIS after the US challenged India's subsidies at the WTO. Under MEIS, exporters were reimbursed 2, 3, or 5 percent of the FOB value in the form of credit scrips. Rather than providing upfront incentives that offset costs, RoDTEP was explicitly designed to comply with WTO rules, refunding the embedded taxes and duties. The new scheme also expanded product coverage and brought in digitalisation, with electronic scrips replacing physical credit scrips.

Since 2021, there have been more than 12 amendments to RoDTEP—changes in rates, inclusion of additional products, and, in some instances, removal of products from coverage. For example, the initial schedule of 2021 covered around 8,500 products. This list was amended three times in 2022. With an allocation of ₹18,233 crore for 2025-26, the scheme covers over 10,795 product categories.

Some amendments also correspond to exporter eligibility. In September 2024, exports by AA, EOU and SEZ units qualified for the benefits for the first time, but only until December 2024. Their benefits were then paused for several months before being reinstated in June 2025.

The frequent amendments present a dilemma for firms. Some may boost export intensity to seize the expanded benefits, while others may face substantial transition costs, prompting them to hold back or maintain the status quo regarding exporting.

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> **In an era of tariff trauma, India has reinstated and expanded a flagship export incentive after making it WTO-compliant. But changing the rules constantly makes it very difficult to claim benefits. Exporters—especially smaller enterprises—would appreciate policy predictability**

The transition costs are likely to be larger for smaller enterprises. The January 2025 Economic Survey 2024 highlighted regulatory compliance as a major barrier to MSME growth, noting that many firms remain small to avoid onerous rules. Frequent convolutions in RoDTEP may further discourage MSMEs from pursuing international markets.

Challenges also arise with the new mandatory annual filing of detailed annual returns for exporters with claims of over ₹1 crore in a financial year. This return filing requires exporters to provide highly granular data on the taxes, levies and duties incurred, including those embedded in transport and electricity.

The requirement was likely introduced to aid India's efforts to show the US and EU that RoDTEP is a refund of embedded taxes. In 2023, both the US and EU imposed anti-subsidy duties on Indian goods, claiming RoDTEP to be an export subsidy. With annual recurring revenue, the granular data could be used to demonstrate that the scheme reimburses only taxes already paid.

Nonetheless, many exporters find the return filing complex and burdensome due to the challenge of tracking and compiling detailed data they were not previously required to maintain. The failure to file this return by the designated deadline can lead to the denial of benefits and the freezing of e-scrips, in addition to late penalties.

There is some degree of duality with RoDTEP. The government has rightly streamlined the scheme with clear mandates, including expanded coverage, digitalisation and ARR filing for eligibility, yet the scheme's constant revisions risk eroding these gains.

Synergy at the subnational level could help resolve such duality by building firms' capacity to adapt to RoDTEP changes. For instance, state governments could support educating MSME exporters on proper documentation of taxes and ensuring accurate tax breakdowns in invoices.

Some industry bodies such as the Confederation of Indian Textile Industry and Federation of Indian Chambers of Commerce and Industry are already stepping up, organising events to raise awareness about RoDTEP updates.

Amid the challenges posed by the recent US tariffs, further adjustments to the RoDTEP scheme could be warranted to help exporters stay competitive and thereby support India's goal of reaching $1 trillion in exports by 2025-26. With the global trade order being recast, Indian firms must recognise that stability now comes from policy adaptability.

(Views are personal)

(With inputs from Arpita Khanna)