

Manmade and Technical Textiles Export Promotion Council (MATEXIL)

RoDTEP: Background and the ARR
Compliance

February 2025

M A T E X I L

MANMADE AND TECHNICAL TEXTILES
EXPORT PROMOTION COUNCIL
(Formerly SRTEPC)

An aerial photograph of a port. The left side shows a large area filled with stacks of colorful shipping containers (blue, red, white, green) on metal racks. The right side shows a large cargo ship docked at a pier, with yellow gantry cranes positioned over its deck. The water is a deep blue-green. A yellow banner is at the top, and a yellow banner is at the bottom.

Agenda

1

Background and Basics

2

Regulatory Update

3

Key Information and
Challenges

1

Background and Basics



Background of RoDTEP scheme

Merchandise Exports from India Scheme ('MEIS')

- Introduced to support exports by providing subsidies based on export performance.
 - **WTO Compliance Issue:**
 - In 2018, the United States of America raised concerns about MEIS violating WTO rules on export subsidies and Countervailing measures.
 - The WTO investigation concluded in 2019 that MEIS violated the rules on export subsidies and Countervailing measures, as it provided prohibited subsidies.
 - Following this, the WTO Dispute Settlement Body ordered India to phase out MEIS due to non-compliance.

Remission of Duties or Taxes on Export Products ('RoDTEP')

- Introduced in 2020 by the Government of India to replace MEIS.
- Implementation began in 2021 for exports.
- **WTO-compliant:**
 - RoDTEP focuses on remitting non-creditable taxes and duties on export inputs rather than offering export performance-based subsidies.
 - This ensures compliance with WTO norms, aiming for a fair and transparent mechanism.
 - The duty rates under RoDTEP are calculated based on industry data collated by the RoDTEP Committee, in relation to non-deductible taxes (i.e. taxes on petrol and diesel, electricity duty etc.) incurred on manufacture of various exported products.

Background of RoDTEP scheme – Benefits for Indian Exporters



● **Cost Reduction** - By offering refunds on non-recoverable taxes, such as excise duty/VAT and other non-cenvatable taxes (those that cannot be offset under the CENVAT system), RoDTEP reduces the cost burden on exporters, making Indian goods more competitive globally.

● **Broad Sector Coverage** - The scheme applies to a wide range of industries, including EOU and SEZ units, ensuring that businesses across textiles, chemicals, engineering, and agriculture benefit.

● **Boosts Export Volumes** - By improving cost efficiency, RoDTEP helps increase the volume of exports, contributing to the growth of India's international trade.

● **Encourages Domestic Manufacturing** - RoDTEP incentivizes domestic production by reducing production costs, directly supporting the Make in India initiative, which aims to promote local manufacturing and enhance global competitiveness..

● **Supports Long-Term Economic Growth** - By boosting exports, creating jobs, and fostering sustainable production practices, RoDTEP contributes to India's overall economic development and strengthens its trade position on the global stage.

Background of RoDTEP Scheme - Operational Process

- **Declaration Requirement** - An exporter availing the benefit of the RoDTEP scheme shall be required to declare his intention for each export item in the shipping bill or bill of export.
- **RoDTEP Credit Ledger** - Exporters must create a RoDTEP credit ledger in their ICEGATE account to manage claims.
- **Automatic Calculation** - ICEGATE System would automatically calculate the RoDTEP amounts for all the items where RoDTEP was claimed. No changes in the claim will be allowed after filling of export general manifest (EGM).
- **Rebate Rates & Caps** - Rates of rebate/value cap per unit under RoDTEP are notified in Appendix 4RE [for exports of products manufactured by Advance Authorisation holders (except Deemed Exports), EOU and SEZ units].
- **Forex Realization Requirement** - The benefits are subject to realization of FOREX as per FTP/FEMA guidelines.

The e-scrips would be used only for payment of Basic Customs Duty. RoDTEP scrips are freely transferable

RoDTEP Scheme: Current Issue with the US/EU Authorities

Problem with US/EU Authorities

- **Anti-Subsidy Duties:** The US/EU imposed anti-subsidy duties on Indian exports under RoDTEP due to concerns about it being viewed as an export subsidy, not a remission of input taxes.
- **Documentation Issue:** Exporters struggled to provide adequate proof that RoDTEP payments are refunds on non-cenvatable taxes, not subsidies.

Government's Position

- **Continuation of RoDTEP:** The Indian government is **committed** to the RoDTEP scheme and has no plans to discontinue it despite the concerns raised by the US/EU authorities.
- **WTO-Compliant:** RoDTEP scheme remains fully **WTO-compliant**, designed to remit non-cenvatable taxes, not offer export incentives.
- **Issue is Documentation, Not Scheme:** The core issue is exporters' inability to provide proper documentation, not with the scheme itself.

Steps to Resolve

- **Annual Return Requirement (ARR):** A new **ARR** has been introduced to ensure proper documentation, helping exporters prove that RoDTEP payments are **tax refunds**, not subsidies.
- **Exporter Awareness & Training:** Government is focused on **educating exporters** on how to correctly document taxes paid (e.g., VAT, mandi tax, fuel taxes) and ensuring accurate **tax breakdowns** in invoices.

Conclusion

- **RoDTEP will Continue:** The RoDTEP scheme will continue, with improvements in **documentation** and **compliance** being the primary focus.
- **Government Focus:** The Indian Government will stay focused on convincing the US and EU authorities that this scheme is in the nature of a remission scheme and not a subsidy scheme.



Regulatory Updates

Filing of Annual RoDTEP Return (ARR) - Regulatory requirement

- ▶ ARR to be filed by the exporters (IECs) who's total RoDTEP claim exceeds Rs. 1 crore in a financial year across all 8-digit HS Codes.
- ▶ The exporters claiming RoDTEP benefits shall be required to file an Annual RODTEP Return (ARR) as per the format given under Appendix-4RR of Handbook of Procedures, 2023.
- ▶ ARR for RoDTEP return for a financial year to be filed on DGFT portal by 31st March of the next financial year i.e. RODTEP return for Financial Year 2023-24 shall be required to be filed by 31st March 2025.
- ▶ Non-reporting of the ARR shall lead to stopping the scroll generation for RODTEP scheme and no further scroll out of RODTEP claims for the SBs will be permitted at the Customs Port of Export after the grace period of three (3) months i.e. after 30th June 2025.
- ▶ A composition fee of Rs. 10,000/- will need to be paid for delayed filing of ARR up to 30th June. Thereafter, a composition fees of Rs.20,000 /- will need to be paid after 30th June 2025. Subsequent to the payment of the applicable composition fee, the RoDTEP scrolls will be resumed within 45 days, till an online API based message exchange is established between DGFT and Customs.

Trade Notice 27/2024-25 dated 29th January 2025, User Guide and FAQs

Trade Notice 27/2024-25, issued on 29th January 2025, serves as a follow-up to Public Notice 27/2024-25. This Trade Notice introduces an online mechanism for filing the ARR and provides additional clarifications through a User Guide and FAQs, helping exporters comply with the mandated requirements.

Important Points

- Separate filings are required for DTA and AA/EOU/SEZ exports.
- Returns must be filed for 8-digit HS codes where the RoDTEP benefit claimed is ₹50 lakh or more annually. If no code meets this threshold, a single return should be filed for the highest accrued support under RoDTEP in the FY.
- Taxes, duties, and levies must be reported on a pro-rata basis for exported goods, with justification for approximations (wherever used).
- The return should be complete to the extent possible. Minor items with low value may be omitted if they don't significantly alter the amount of remission claimed. Wherever approximation is used for calculation, the same needs to be substantiated in case of scrutiny.
- The details of the taxes/levies should be limited to such taxes/levies which are not currently being rebated/refunded through any other mechanism such as GST refunds or exemptions by state/central government.

General Guidelines

- For vendor data to be collated, exporters need to list all inputs used in manufacturing under the proper ITC-HS Code at the 8-digit level.
- For transportation-related costs, VAT and excise duty on fuel used for inbound (raw materials to factory) and outbound (finished goods to port) logistics can be included in RoDTEP claims and for the agriculture sector, VAT on fuel for farm operations and embedded CGST/SGST on inputs like pesticides and fertilizers can be claimed, provided these are not refunded elsewhere.

Trade Notice 27/2024-25 dated 29th January 2025, User Guide and FAQs (Contd.)

Key Take-Aways

- From Sl. No. 10 and Sl. No. 11 which relates to Transportation, it can be assumed that wherein the data to be filed (in any Sl. No. of the ARR form) is not proper or readily available then the Company can submit some reasonable data which may not be 100% accurate.
- The DGFT has not provided clarity on the most critical part i.e. prior stage cumulative taxes incurred on raw materials and inputs used in manufacturing export products i.e. Sl. No. 18A to 18F. Here, DGFT has not provided clarity helping industry to file return or remove existing doubts of industry.
- Introduction of Online system & FAQs confirms that currently, the timelines for RoDTEP ARR will not be extended or this compliance will not be withdrawn. Thus, the industry must file ARR by March 31, 2025, or by June 30, 2025, with late fees to avoid scrip suspension from July 1, 2025. Swift action is needed by the Industry to start preparation and collation of data for filing return in time.

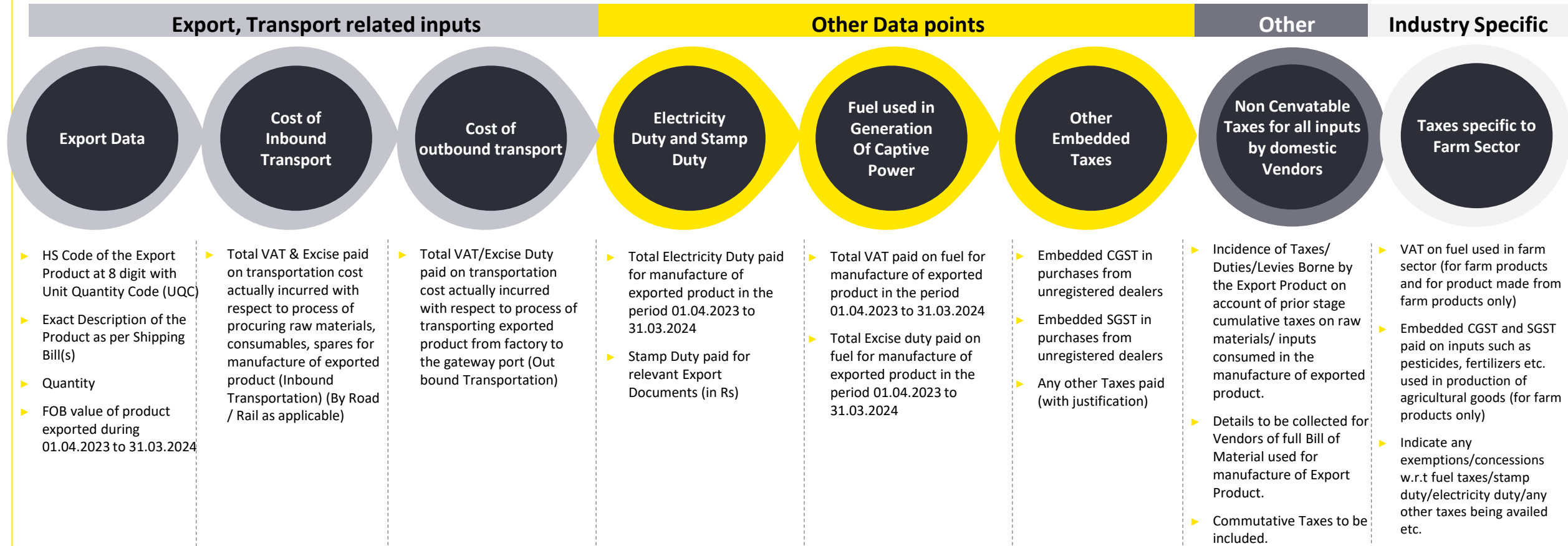
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Key Information
and Challenges



Key information required for filing process

From ERP or IT System, Tax Invoices/Ledgers etc., will be required to prepare the ARR. Data/declarations from Vendors will also be required.



Record / Data to be maintained for a period of 5 years

ARR Format

Appendix 4RR - Format for submitting data under Annual RoDTEP Return (ARR)			
To be furnished Export Product-wise by individual manufacturer/ manufacturer-exporter - Separate sheet for each product needs to be submitted			
SI No.	Item Field	Data to be filled	Remarks
1	Name of the Manufacturer/ Manufacturer Exporter		Basic Information
2	Type of Unit (DTA/AA/SEZ/EOU)		Basic Information
3	IEC/PAN		Basic Information
4	HS Code of the Export Product at 8 digit		To be finalised basis 8-digit CTH and Product description
5	Unit Quantity Code (UQC) of Exported Product /Unit of Measurement		Basic Information
6	Complete Address of the Manufacturing unit with mobile/ office phone and working office email (add more rows if data pertains to more than 1 unit -2A, 2B,etc.)		Basic Information
7	Exact Description of the Product as per Shipping Bill(s)		Basic Information
8	Export Clearance of Goods		Basic Information
8A	Quantity of product exported during 01.04.2023 to 31.03.2024		To be finalised basis 8-digit CTH and Product description based
8B	FOB value of product exported during 01.04.2023 to 01.03.2024		To be finalised basis 8-digit CTH and Product description based
9	Period of Export	01.04.2023 to 31.03.2024	Basic Information

ARR Format (Contd.)

SI No.	Item Field	Data to be filled	Remarks
10	Cost of Inbound Transport:		
10A	Total VAT paid on transportation cost actually incurred with respect to process of procuring raw materials, consumables, spares for manufacture of exported product (Inbound Transportation) (By Road)	Rs	<ol style="list-style-type: none"> 1. Collate all transportation data for GTA expenses and own transportation costs. 2. Calculate petrol and diesel costs and the corresponding tax amount. 3. If required, obtain expert certifications and vendor declarations for fuel costs. 4. Decide on a reasonable apportionment method with input from the Company and Costing teams (Example: value wise/volume wise etc.)
10B	Total Excise duty paid on transportation cost actually incurred with respect to process of procuring raw materials, consumables, spares for manufacture of exported product (Inbound Transportation) (By Road)	Rs	Same as above
10C	Total VAT paid on transportation cost actually incurred with respect to process of procuring raw materials, consumables, spares for manufacture of exported product (Inbound Transportation) (By Rail)	Rs	<ol style="list-style-type: none"> 1. Collate all transportation data for railway freight cost. 2. Calculate electricity and diesel costs and the corresponding tax amount.
10D	Total Excise duty paid on transportation cost actually incurred with respect to process of procuring raw materials, consumables, spares for manufacture of exported product (Inbound Transportation) (By Rail)	Rs	Same as above

ARR Format (Contd.)

SI No.	Item Field	Data to be filled	Remarks
11	Cost of Outbound Transport:		
11A	Total VAT paid on transportation cost actually incurred with respect to process of transporting exported product from factory to the gateway port (Out bound Transportation) (By road)	Rs	Same principle as mentioned above
11B	Total Excise duty paid on transportation cost actually incurred with respect to process of transporting exported product from factory to the gateway port (Out bound Transportation) (By road)	Rs	Same principle as mentioned above
11C	Total VAT paid on transportation cost actually incurred with respect to process of transporting exported product from factory to the gateway port (Out bound Transportation) (By rail)	Rs	Same principle as mentioned above
11D	Total Excise duty paid on transportation cost actually incurred with respect to process of transporting exported product from factory to the gateway port (Out bound Transportation) (By rail)	Rs	Same principle as mentioned above

ARR Format (Contd.)

SI No.	Item Field	Data to be filled	Remarks
12	Electricity Duty:		
12A	Total Electricity Duty paid for manufacture of exported product in the period 01.04.2023 to 31.03.2024	Rs	Value of electricity consumed for export goods and then calculate the value of electricity duty
13	Stamp Duty:		
13A	Stamp Duty paid for relevant Export Documents (in Rs)	Rs	Actual (if any)
14	Fuel used in generation of captive power:		
14A	Total VAT paid on fuel for manufacture of exported product in the period 01.04.2023 to 31.03.2024	Rs	Same principle as mentioned above
14B	Total Excise duty paid on fuel for manufacture of exported product in the period 01.04.2023 to 31.03.2024	Rs	Same principle as mentioned above
15	Embedded CGST in purchases from unregistered dealers	Rs	<ol style="list-style-type: none"> 1. Calculate the amount of purchase from unregistered dealer 2. Use reasonable profit earned by unregistered dealer and then back calculate the amount of taxes involved
16	Embedded SGST in purchases from unregistered dealers	Rs	Same as above
17	Any other Taxes paid (with justification)	Rs	Actuals (if any)

ARR Format (Contd.)

18	Incidence of Taxes/ Duties/Levies Borne by the Export Product on account of prior stage cumulative taxes on raw materials/ inputs consumed in the manufacture of exported product:							
		HS Code of the Input/ Raw Material	Technical Description of the Input	Value of Input Used in the Manufacture of per unit of Export Product (In Rs)	Quantity of Input Used in the Manufacture of per unit of Export Product	UQC/ Unit of Measurement	Total Taxes/ Duties/Levies paid on raw materials / inputs consumed (In Rs)	Remarks
18A	Input 1							<ol style="list-style-type: none"> 1. Based on the same principle, data for each BOM to be received from the vendor with declarations in a standard format. 2. The company must assess materiality and decide on obtaining copies of such declarations for their BOM.
18B								Same principle as mentioned above
18C								Same principle as mentioned above

ARR Format (Contd.)

SI No.	Item Field	Data to be filled	Remarks
20	Taxes/ Duties per unit of Raw Material (only for farm sector)		
20A	VAT on fuel used in farm sector (for farm products and for product made from farm products only)	Rs	Amount to be calculated basis the Government studies on agriculture sector
20B	Embedded CGST paid on inputs such as pesticides, fertilizers etc. used in production of agricultural goods(For farm products only)	Rs	Same as above
20C	Embedded SGST paid on inputs such as pesticides, fertilizers etc. used in production of agricultural goods(For farm products only)	Rs	Same as above

ARR Format (Contd.)

SI No.	Item Field	Data to be filled	Remarks
21	Kindly indicate any exemptions/concessions w.r.t. fuel taxes/stamp duty/electricity duty/any other taxes being availed, etc.	Rs	Details required from Finance/IDT Teams
22	Total Taxes/ Duties/Levies Paid on exported product during the period 01.04.2023 to 31.03.2024	Rs (10+11+12+13+14+15+16+17+18+19+20 - 21)	Details required from Finance/IDT Teams
23	Total accrued RoDTEP during the period 01.04.2023 to 31.03.2024	Rs	Details required from Finance/IDT Teams
24	RoDTEP Rate given for the exported product		Actual Claimed from Finance Team
25	What Percentage of FOB value accounts for taxes/duties/levies paid on exported product	%(22/8B)	To be filled By SCM Team
26	Comparison of accrued RoDTEP with total Taxes/ Duties/Levies Paid on exported product		
27	Remarks		
<p>Declaration:</p> <p>I/We, in regard to my/our claim under RoDTEP scheme, hereby declare that:</p> <ol style="list-style-type: none"> Any claim made under RoDTEP is not with respect to any duties or taxes or levies which are exempted or remitted or credited under any other mechanism outside RoDTEP. The amount of remission availed under RoDTEP in the specified period is not more than duties or taxes or levies actually incurred in the same period. <p>I/We declare that the aforesaid particulars are correct.</p> <p>Place:</p> <p>Date:</p>			

ARR Filing Process

01 / Collection of Data

- ▶ Sharing of Information Requirement List
- ▶ Collection of Data for Appendix-4RR
- ▶ Creation of Formats for getting data from Vendors
- ▶ Obtaining expert opinion/certification if required

03 / Preparation of 4RR

- ▶ Prepare the Return for each of CTH and description
- ▶ Attach the supporting documents as needed

02 / Review of Data

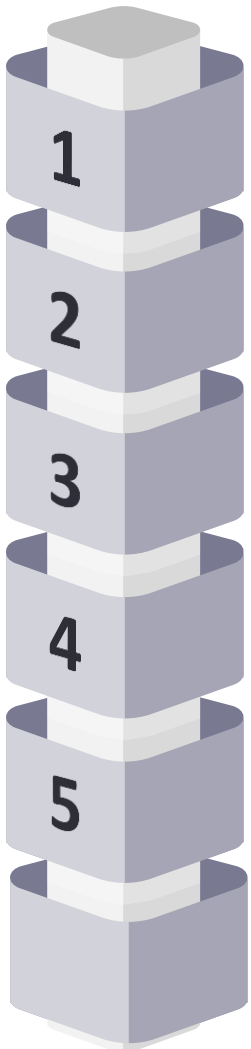
- ▶ Reconcile the data wherever required
- ▶ Discussion with respective functional teams
- ▶ Gaps analysis or outliers' analysis

04 / Submission with DGFT

- ▶ Filing of the return
- ▶ Maintaining the record for a period of 5 years

Industry Challenge

While the RoDTEP scheme increases cost burdens and enhances exporters' competitiveness in the global market, the introduction of the ARR presents significant challenges to such exporters, including:



- **Vendor coordination challenges** - Additional burden and challenges to exporters to coordinate with their level one and two vendors to obtain the data in case providing the same was not originally within the scope of Service Agreements entered.
- **Data collection** - Determining the method to collect data that will be used for the calculations and obtaining expert certifications or reports to support and validate the data is a major issue.
- **Uncertainty in system transmission** - No defined timeline for resuming API-based message exchanges between DGFT and Customs to process RoDTEP scrolls after completion of compliance verification.
- **Increased compliance costs** - The process imposes an added financial burden on exporters due to unclear filing and documentation requirements.
- **Short grace period and deadline** - A three-month grace period for filing the ARR, ending on 30 June, with no RoDTEP claims allowed beyond this date, creating urgency for exporters.

Suggested Approach

Methodology for filing ARR for the Company

Data required from the Company

Company needs to conduct 3-hour Workshop with the relevant teams:

- To understand the business model for different categories of exported goods;
- To assess the data requirements

Collection of data to the extent possible [Ex: In-bond and Out-bond transportation, Goods Transport Agency ('GTA') Expense and other data]

- Company needs to prepare and share formats of undertaking from GTA Service Provider. Company needs to also organize workshop/survey with Vendors to collate this data
- Collation of govt. and other formats/studies to determine amount to be added in RoDTEP return for verification

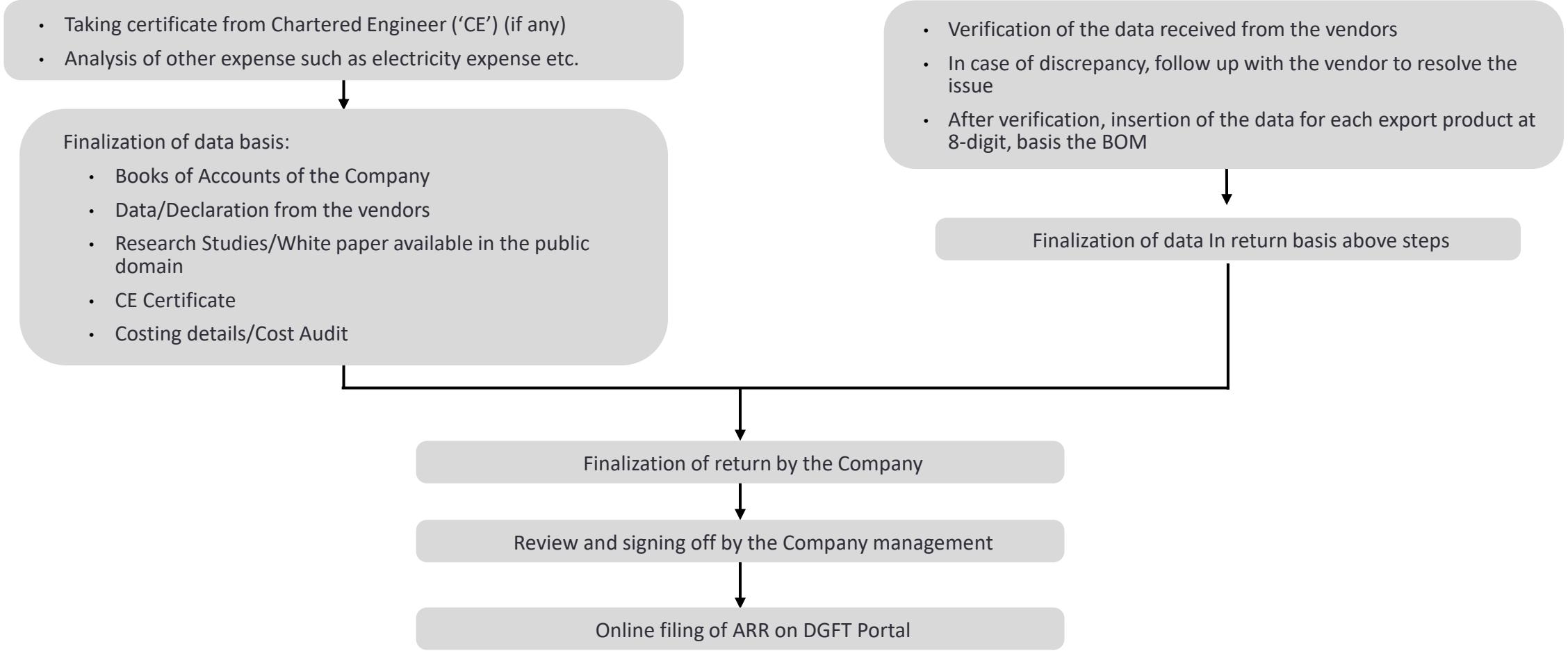
Data required from Vendors of the company/vendors supplying parts/raw materials to the company

- Discussion with the Company about details of vendors / finished goods exported HSN/BOM etc.
- Finalization of format for collecting data from vendors

- Sharing of declaration/Email with vendors
- Follow up with all vendors.
- Discussion over call with vendors and explaining them the requirements in batches

- Analysis of data received
- Tariff classification from Vendors
- Finalization of data basis declaration and reports

Suggested Approach (cont'd)



Tentative Timelines

Particulars	Step End date
<ul style="list-style-type: none"> Discussion on business/CTH/Description and basic requirements with Kick Off Meeting 	10 th February
<ul style="list-style-type: none"> Sharing for formats with Vendors for obtaining information from Supplier of Raw material Sharing of formats of Information Required /Declarations to be obtained by Supplier of Raw Material/Inputs from his suppliers (child parts/inputs etc.) Receipt of Information Required from Company or its GTA service Providers or internal data for consumption of Petrol / Diesel for transportation / electricity generation 	10 th February 2025 to 15 th March 2025
<ul style="list-style-type: none"> Receipt of Information from Vendors and analysis of Data and then correction/clarification/updation of information from Vendors 	15 th March 2025 to 29 th March 2025
<ul style="list-style-type: none"> Finalisation of Return and Sign of by Company after Review 	29 th March 2025 to 30 th March 2025
<ul style="list-style-type: none"> Online filing of ARR 	30 th March 2025 to 31 st March 2025

These timelines are tentative in nature, these will depend upon the availability of information to be provided by the company/data to be provided by vendors, quality of data to be provided by the vendors

Questions and Answers

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Thank You!