

TAX FLASH NEWS

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Revised guidelines issued for continuation and implementation of RoSCTL scheme

On 14 July 2021, Union Cabinet had approved¹ the continuation of Rebate of State and Central Taxes and Levies (RoSCTL) on exports of Apparel/Garments (Chapters 61 and 62) and Made-ups (Chapter 63) till 31 March 2024 in exclusion of Remission of Duties and Taxes on Export Products (RoDTEP).

In this regard, Ministry of Textiles has issued revised guidelines for continuation and implementation of the RoSCTL scheme².

Gist of the revised guidelines

A. Duration

- RoSCTL scheme shall be continued w.e.f. 1 January 2021 to 31 March 2024 for:
 - Apparel/Garments (under Chapter 61 and 62)
 - Made-ups (under Chapter 63).
- The other textiles products (excluding Chapter 61, 62 and 63) which are not covered under this scheme will be eligible to avail benefits, if any, under RoDTEP along with other products, as may be finalised by Department of Commerce from the dates which may be notified in this regard.

B. Nature of Rebate

- Rebate shall be in the form of duty credit scrips which shall be issued electronically on Customs system.

- It can be used for payment of basic customs duty on import of goods and is freely transferrable.

C. Rates and Restrictions

- Rates and caps as notified by Ministry of Textiles vide Notification No.14/26/2016-IT (Vol. II) dated 8 March 2019 will be applicable.
- Restrictions will be applicable as are prescribed by Ministry of Textiles vide:
 - Notification No.14/26/2016-IT (Vol. II) (Part II), dated 02 May 2019 [para 2 (e)];
 - Notification No.14/26/2016-IT (Vol. II) (Part II), dated 04 June 2019.

D. Claim for Rebate

- Exporters to make claim for rebate of exports at item level.
- Electronic duty credit ledger will be created by Customs Authority.

E. Mechanism of Rebate

- Duty credit scrips will be issued without insisting on realization of export proceeds.
- Exporters would be required to maintain records to substantiate the claims.
- Ministry of Textiles will conduct annual impact analysis of the scheme. An output outcome framework shall be notified separately for a broad level monitoring.

¹ Ministry of Textiles Press Release dated 14 July 2021

² Ministry of Textiles Press Release dated 13 August 2021

F. Over-Claim/Misdeclaration/Recovery

- Rebate will be allowed subject to the receipt of sale proceeds within the time allowed under the Foreign Exchange Management Act, 1999.
- Exporters will be required to return any over-payment of rebate issued through the duty credit scrips arising from miscalculation with interest at the rate of 15% per annum.
- Penalty may be imposed under the provisions of Customs Act in case where the duty credit scrips are obtained by misdeclaration and fraudulent practice.

G. Important Terms

- Rebate of State Taxes and Levies shall be understood to comprise VAT on fuel used in transportation, captive power, farm sector, mandi tax, duty of electricity, stamp duty on export documents, embedded SGST paid on inputs such as pesticides, fertilizers etc. used in production of raw cotton, purchases from unregistered dealers, coal used in production of electricity and inputs for transport sector.
- Rebate of Central Taxes and Levies shall be understood to comprise central excise duty on fuel used in transportation, embedded CGST paid on inputs such as pesticides, fertilizer etc. used in production of raw cotton, purchases from unregistered dealers, inputs for transport sector and embedded CGST and Compensation Cess on coal used in production of electricity.

Our comments

The decision to continue the scheme upto 31 March 2024 will provide a stability to the apparel / garments and made-ups exporters and will help them to plan their exports considering the RoSCTL rates. Textile exporters of other goods which are not covered in RoSCTL scheme will have to await for the RoDTEP guidelines.



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