

Guidelines for Continuation of Scheme for Rebate of State and Central Taxes and Levies on Export of Apparel/Garments and Made-ups (RoSCTL)

The Government of India has decided to continue RoSCTL scheme w.e.f. 01.01.2021 to 31.03.2024 to rebate all embedded State and Central Taxes and Levies on apparel/garments (under Chapter-61 & 62) and made-ups (under Chapter-63) to enhance competitiveness of these sectors.

1. SHORT TITLE

The scheme shall be called Scheme for Rebate of State and Central Taxes and Levies on Export of Apparel/ garments and Made-ups (hereinafter referred to as RoSCTL).

2. OBJECTIVE

In accordance with the recognized international economic principle of zero rating of export products, it has been decided that the Central Government shall provide for rebate of State and Central Taxes and Levies in addition to the Duty Drawback Scheme, on export of apparel/ garments and Made-ups at rates notified vide Notification No 14/26/2016-IT (Vol.II) dated 8.3.2019 with value caps.

3. DEFINITIONS

3.1. **Export** with its grammatical variations and cognate expressions, means taking goods physically out of India to a place outside India.

3.2. **Shipping Bill or Bill of Export** shall be the entry made before proper officer of Customs by an exporter of apparel/garments and made-ups

3.3. **Value** in relation to exported apparel/garments and made-ups shall be the Free on Board(FOB) value.

3.4. **Apparel/Garments** shall mean goods falling under Chapters 61 & 62 of the Schedule of All Industry Rates(AIR) of Drawback. Made-ups shall mean goods falling under Chapter 63 of the Schedule of All Industry Rates (AIR) of drawback excluding tariff items 6308, 6309, 6310 and goods in tariff items 9404 that are excluded from drawback tariff item 6304.

3.5. **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.

3.6. **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.

4. NATURE OF REBATE

4.1. The rebate under the Scheme shall be in the form of duty credit scrips. The scrips shall be issued electronically on Customs system. The duty credit scrips shall be used for payment of Basic Customs Duty on import of goods. These scrips shall be freely transferable. The relevant notification, as regard the manner of utilization of scrip for payment of basic customs duty and other modalities, including conditions relating thereto, consistent with the Scheme, shall be issued by the Department of Revenue.

5. RATES AND RESTRICTIONS ON REBATE

5.1. The rates and cap as recommended by Drawback Committee and notified by Ministry of Textiles vide Notification no.14/26/2016-IT (Vol.II) dated 08th March 2019 will be applicable.

5.2. Government reserves the right to suitably adjust the rate and caps in the light of change in relevant underlying conditions. Rates under the scheme shall be subject to review as per periodicity to be decided separately by Ministry of Textiles and Ministry of Finance.

5.3. The restrictions as prescribed by Ministry of Textiles vide notifications No.14/26/2016-IT(Vol.II)(Part II), dated 02.05.2019 [para 2 (e)], and No. 14/26/2016-IT(Vol.II)(Part II), dated 04.06.2019 shall continue to apply. Compliance and adherence to these restrictions shall be ensured by exporters claiming RoSCTL, and they shall make declaration in this regard, while making RoSCTL claim, in the manner as may be prescribed, by DoR.

6. CLAIM FOR REBATE

6.1 An exporter opting for this scheme shall make claim for rebate on exports at item-level, in accordance with the guidelines as may be issued by the Department of Revenue, for operationalising the scheme on Customs system.

6.2 Electronic duty credit ledger will be created by the Customs Authority and the exporter may generate electronic Duty Credit Scrip for value, lying in his/her ledger.

7. MECHANISM OF REBATE

7.1. The Scheme shall be implemented by Department of Revenue (DoR) with end to end digitization for issuance of transferable Duty Credit Scrip, which will be maintained in an electronic duty credit ledger in the Customs system.

7.2. Duty Credit Scrip under RoSCTL Scheme shall be issued without insisting on realization of export proceeds. However, adequate safeguard mechanism shall be put in place for effective monitoring of realization of export proceeds.

7.3. While the proposed Scheme will be implemented on a revenue foregone basis, a budgetary control would be exercised through appropriate entries in the annual financial statement. To ensure that expenditure under the Scheme does not exceed the allocation amount in a particular financial year, the expenditure and liability under the Scheme shall be reviewed on a quarterly basis and measures, as necessary, shall be taken to keep the expenditure within the prescribed allocation.

7.4. For the purpose of audit and verification, the exporter would be required to keep records to substantiate their claims made under the Scheme. Central Board of Indirect Taxes and Customs (CBIC) would put a monitoring and audit mechanism, with an Information Technology based Risk Management System (RMS), in place.

7.5. Ministry of Textiles will conduct annual impact analysis of the scheme. For a broad level monitoring, an output outcome framework shall be notified separately.

8. Over-claim/ claim based on mis-declaration and procedure for recovery:

8.1 The rebate allowed is subject to the receipt of sale proceeds within time allowed under the Foreign Exchange Management Act, 1999 failing which such rebate shall be deemed to have never been allowed. Action under the Customs Act may be taken by the Customs Authorities for recovery of erroneous or excess paid RoSCTL. Further, the exporter is required to return any over-payment of rebate issued through the scrips arising from miscalculation. Where there is repayment, recovery or return, interest shall also be paid by the exporter at the rate of fifteen per cent (15%) per annum calculated from the date of debit of the scrip till the date of repayment, recovery or return along with penalty, if imposed under an Adjudication order. Exporter may have option to surrender unutilized scrip obtained under RoSCTL without payment of interest, however, a penalty may be imposed in case such Duty Credit Scrip is obtained by mis-declaration and fraudulent practice, under the provisions of Customs Act.

8.2 In case a recovery is due, Officer of Custom shall issue a letter to the exporter and request the exporter to deposit the full sum (principal plus interest) within 30 days in the relevant account head of Customs "Major Head 0037-Customs and minor head 001-Import Duties". In case of non-compliance, action under the Custom Act would be initiated and a penalty may be imposed along with suitable action to recover duty plus interest.

9. Duration of the Scheme

RoSCTL Scheme for apparel/garments and made-ups shall be continued w.e.f 01st January 2021 till 31.03.2024.

10. PERIODIC ASSESSMENT

The liabilities under RoDTEP and RoSCTL will be managed within the financial ceiling communicated by the Ministry of Finance. Any change in the inter se financial allocation for the financial year shall be done in consultation with Ministry of Finance (MoF). Further, to ensure that the expenditure under these Schemes do not exceed the allocation amount, the expenditure and liability under these Schemes shall be reviewed on quarterly basis by a Committee headed by Department of Expenditure and consisting of Department of Revenue, Department of Commerce and Ministry of Textiles (for RoSCTL) to keep the expenditure within the prescribed allocation. Customs shall ensure on their system that expenditure under these Schemes does not exceed the allocated fund.

11. SAVING CLAUSE

Upon cessation of the RoSCTL Scheme, the non-issued rebate against claim shall be settled in accordance with the provisions of this Scheme.