

## **Tax Refund in the Works for Exports to US**

The government is considering a scheme to refund taxes imposed on India's exports to the US that will suffer loss of competitiveness once the concessional duties enjoyed under the Generalised System of Preferences (GSP) are withdrawn. A Rebate of State Levies (ROSL) kind of scheme, which would refund unrebated taxes that are included in the price of goods, would incentivise exporters and ensure India's shipments do not drop. The unrebated taxes would be refunded through the drawback route.

“Leather, textiles, some lines of organic chemicals, and nuclear reactors and boilers are some sectors that are likely to face a disadvantage. The government may consider ROSL for these sectors,” an official in the know of the development said. While most Indian exports are incentivised through the Merchandise Exports from India Scheme, the programme has been disputed by the US for violating the World Trade Organization (WTO) rules. ROSL is compliant with international trade norms and found favour in mid-term review of the Foreign Trade Policy. The scheme should take into account the needs of the energy-intensive sectors and states with poor infrastructure, the government had noted in the review.

The industry has identified basic and processed food, imitation jewellery, leather articles (other than footwear), pharmaceuticals, chemicals and plastics as sectors that would get hit the most with the preferential tariffs in the post GSP era. “In the event of withdrawal of the GSP, India will have to compete on most favoured nation (MFN) terms. About 60% of the US imports take place on MFN duty,” Federation of Indian Export Organisations (FIEO) said in a study. The MFN rates on these exports are between 4.8% and 6.9% but on certain lines such as par boiled rice and some kinds of silver jewellery, the duty is as high as 11%, leaving a huge tariff gap between preferential and actual duties.

The preferential tariffs under the GSP on Indian exports range between 1% and 6%. “Looking at the tariff advantage, some sectors may not be able to absorb it. So, some handholding is required,” said Ajay Sahai, director general, FIEO. As per the study, India's global merchandise exports for 2018 were dollar 324.7 billion, of which dollar 51.4 billion were to the US. However, only \$6.35 billion of exports from India to the US benefited from the GSP scheme. Such exports were covered under 1921 US tariff lines. In March, the US had announced withdrawal of special duty benefits available to India, saying the country levied high duties on its exports. The GSP benefits will end in 60 days from the announcement.

*(Economic Times)*