

# Continuation of RoSCTL scheme to support margins of apparel exporters

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## The Government of India announces continuation of RoSCTL scheme along with expansion in its scope

### Background

To make exports of apparel and made-ups competitive, the government had introduced the scheme for Rebate of State and Central Taxes and Levies (RoSCTL) on export of garments and made-ups vide its notification dated March 07, 2019 to cover both state and central taxes. However, this scheme had expired on March 31, 2021.

### Announcement

In the cabinet meeting held on July 14, 2021, the government has now decided to extend the RoSCTL scheme up to March 31, 2024. Earlier, the government used to announce the scheme for a period of one year, thereby limiting the long-term visibility of the scheme. However, the recent announcement of applicability of the scheme till March 31, 2024 provides a clear road-map for the companies to plan their investments in this sector. Further, the scheme has been extended to other textile products (excluding textile products covered in Chapters 61, 62 & 63 of HSN) in addition to apparel and made-ups.

### CARE Ratings View: Impact on apparel industry

As per the data available from CMIE, India's apparel exports stood at around Rs.90,000 crore (excluding made-ups) for the period of 12 months ended March 31, 2021 (Rs.1,10,000 crore during FY20). The rebate rates for apparel ranges between 2.10% to 3.60% depending on nature of the product and material used. Considering an average rebate rate of around 2.5%, the extension of the RoSCTL scheme is likely to result in protection of the apparel sector's operating profitability to the extent of around Rs.2,500 crore and thereby improve the competitiveness of the sector in the export market. Moreover, the continuation of rates of rebate came as a positive surprise given the sector's expectation that the RoSCTL scheme could get merged with the Remission of Duties and Taxes on Exported Products (RoDTEP) where the rates of rebate could be lower.

Though the rates of rebate on the other textile products (excluding apparel and made-ups) have not been announced yet, considering their lower value addition compared with apparels, the rates of rebate on other textile products are likely to be relatively lower. However, it would still increase India's competitiveness in the export market even for such textile products.

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