

EPCG

Export Promotion Capital Goods (EPCG) scheme allows import of capital goods including spares for pre production, production and post production at zero duty subject to an export obligation of 6 times of duty saved on capital goods imported under EPCG scheme, to be fulfilled in 6 years reckoned from Authorization issue-date.

EPCG scheme covers manufacturer exporters with or without supporting manufacturer(s)/ vendor(s), merchant exporters tied to supporting manufacturer(s) and service providers. The Scheme also covers a service provider who is designated / certified as a Common Service Provider (CSP).

EPCG authorization holder can export either directly or through third party (s). Export proceeds are to be realized in freely convertible currency except for deemed exports. Import of capital goods imported under the EPCG scheme shall be subject to Actual User condition till export obligation is completed.

Export Obligation under EPCG scheme is required to be fulfilled by export of goods manufactured/services rendered by the applicant. There are two types of export obligation that are mandatory. First, Annual Average in which export obligation is over and above, the average level of exports achieved by the authorization holder in the preceding three licensing years for the same and similar products within the overall export obligation period including extended period, if any. Such average would be the arithmetic mean of export performance in the last three years for the same and similar products. Secondly, Specific Average which is 6 times the duty saved amount in which the Authorization holder shall also fulfill a minimum of 50% export obligation in each block of years - the first block being of 4 years and the second block is of 2 years.

Royalty payments received in freely convertible currency and foreign exchange received for R&D services shall also be counted for discharge under EPCG.

EPCG Authorization holder may also source capital goods from a domestic manufacturer. Such domestic manufacturer shall be eligible for deemed export benefit under FTP. EPCG Authorization holders can opt for Technological Upgradation of existing capital good imported under EPCG Authorization. Import of second hand capital goods is not permitted under the EPCG scheme.

To incentivize fast track companies to accelerate exports, there is a provision for early redemption and in cases where Authorization holder has fulfilled 75% or more of specific export obligation and 100% of Average Export Obligation till date, if any, in half or less than half the original export obligation period specified , remaining export obligation shall be condoned.

Authorization holder is required to submit to RA concerned by 30th April of every year, report on fulfillment of export obligation.

The scheme allows one or more requests for grant of extension in export obligation period, on payment of composition fee equal to 2% of proportionate duty saved

amount on unfulfilled export obligation or an enhancement in export obligation imposed to the extent of 10% of total export obligation imposed under authorization, as the case may be, at the choice of exporter, for each year of extension sought. Such first extension in EO period can be for a maximum period of 2 years.

Extension in EO period beyond two years' period may be considered, for a further extension upto 2 years with a condition that 50% of duty payable in proportion to the unfulfilled export obligation is paid by authorization holder to Custom authorities before an endorsement of extension is made on EPCG authorization by RA concerned. In such cases, no composition fee is to be paid or additional EO is to be imposed. In case the firm is still not able to complete the export obligation, duty already deposited will be deducted from total duty plus interest to be paid for EO default.

In case, EPCG authorization holder fails to fulfil prescribed export obligation, he shall pay duties of Customs plus interest as prescribed by Customs authority. This facility can also be availed by EPCG authorization holder to exit at his option.

The EPCG Scheme provides for in addition, a specific EO of 75% of normal Export Obligation for export of Green Technology Products. The scheme also provides for Post Export EPCG duty credit scrip(s) which are available to exporters who intend to import capital goods on full payment of applicable duties in cash and choose to opt for this scheme.

Further, for units located in Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Jammu & Kashmir, specific EO shall be 25% of the EO.