



Export Promotion Capital Goods (EPCG) Scheme

- Presentation by -
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EPCG SCHEME -

- 1) EPCG Scheme is a part of Foreign trade policy of Govt of India.
- 2) EPCG scheme allows import of capital goods including spares for pre-production, production and post production at 0% custom duty.
- 3) EPCG Authorization holder may also source capital goods from a domestic manufacturer. Such domestic manufacturer shall be eligible for deemed export benefit under FTP.
- 4) License under this scheme shall not be issued for the import of any capital goods for Electricity Generations or Supply plants.
- 5) Import of second hand capital goods are not permitted under the EPCG scheme.
- 6) The EPCG License authorisation shall be valid for a period of 18 months from the date of authorisation. Revalidation of the EPCG authorisation shall not be permitted.

EXPORT OBLIGATIONS -

- 7) This is 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.
- 8) EPCG authorization holder can export (goods manufactured/services rendered) either directly or through third party (Deemed Export).
- 9) Royalty payments received in freely convertible currency and foreign exchange received for R&D services shall also be counted for discharge under EPCG.
- 10) Shipments under Advance Authorisation, DFIA, Drawback Schemes or reward Schemes would also count for fulfilment of Export Obligation.
- 11) There are two types of export obligations that are mandatory.
 - a. 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.

- b. Specific Average which is 6 times the duty saved amount in which the Authorization holder shall also fulfil 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

INCENTIVES FOR EARLY FULFILMENT -

- 12) 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.
- 13) For the exporters of green technology products, the export obligation shall be 75% of the total export obligation.

IMPLICATIONS OF FAILURE OF EXPORT OBLIGATION -

- 14) 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.
- 15) 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.
- 16) 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.