

## **EPCG SCHEME**

Export Promotion Capital Goods (EPCG) scheme allows import of capital goods including spares for pre production, production and post production at zero duty for specified sectors and at a concessional rate of 3% Customs duty for all sectors, subject to an export obligation ranging from 6 to 8 times of duty saved on capital goods imported under EPCG scheme, to be fulfilled in 6 to 8 years reckoned from Authorization issue-date.

Zero duty EPCG Scheme which had come to an end on 31-3-2012 has now been extended up to 31-3-2013, for continued technological up-gradation of export sectors/units. Zero duty EPCG Scheme was not available to units that are availing the benefit of TUFs. Henceforth, even if the benefit of TUFs has been availed, additionally the zero duty EPCG Authorisation can be availed for another line of business by the same applicant. Further, if it is the same line of business, zero duty EPCG Scheme could still be availed if the benefit of TUFs already availed are surrendered/refunded with applicable interest.

Similarly, the benefit of zero duty EPCG Scheme would be extended to Status Holders who availed the benefit of Status Holder Incentive Scrip (SHIS), provided they surrender the benefit with applicable interest.

EPCG scheme covers manufacturer exporters with or without supporting manufacturer(s)/ vendor(s), merchant exporters tied to supporting manufacturer(s) and service providers.

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. Export obligation under the scheme 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. The Authorization holder under the EPCG scheme shall fulfill a minimum of 50% export obligation in each block of years as may be specified.

Up to 50% Export Obligation is permitted to be fulfilled by exports of other good(s) manufactured or service(s) provided by the same firm / company, or group company / managed hotel, which has the EPCG authorization.

A person holding an EPCG Authorization 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.

To incentivize fast track companies with a view to accelerate exports, 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 and the Authorization redeemed by RA concerned.

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 up to 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 as prescribed in the Para above. 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. However for zero duty EPCG scheme only one extension of 2 years in export obligation period shall be available, subject to conditions mentioned above.

In case, EPCG authorization holder fails to fulfill 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.