

Export Promotion Capital Goods Scheme

The scheme allows import of capital goods for pre production, production and post production (including CKD/SKD thereof as well as computer software systems) at 5% Customs duty subject to an export obligation equivalent to 8 times of duty saved on capital goods imported under EPCG scheme to be fulfilled over a period of 8 years reckoned from the date of issuance of license. Capital goods would be allowed at 0% duty for exports of agricultural products and their value added variants.

However, in respect of EPCG licenses with a duty saved of Rs.100 crore or more, the same export obligation shall be required to be fulfilled over a period of 12 years.

In case CVD is paid in cash on imports under EPCG, the incidence of CVD would not be taken for computation of net duty saved provided the same is not Converted .The capital goods shall include spares (including refurbished/ reconditioned spares) , tools, jigs, fixtures, dies and moulds. EPCG license may also be issued for import of components of such capital goods required for assembly or manufacturer of capital goods by the license holder.

Second hand capital goods without any restriction on age may also be imported under the EPCG scheme. Spares (including refurbished/ reconditioned spares), tools, re-factories, catalyst and consumable for the existing and new plant and machinery may also be imported under the EPCG scheme .

However, import of motor cars, sports utility vehicles/ all purpose vehicles shall be allowed only to hotels, travel agents, tour operators or tour transport operators whose total foreign exchange earning in current and preceding three licencing years is Rs 1.5 crores. However, the parts of motor cars, sports utility vehicles/ all purpose vehicles such as chassis etc cannot be imported under the EPCG Scheme.

EOU/EPZ Units Under EPCG Scheme

An EOU/ EPZ unit may apply for an EPCG licence in terms of paragraph 9.27 of the Policy. In addition, the applicant shall also furnish a copy of the 'No Objection Certificate' from the Development Commissioner showing the details of the capital goods imported/indigenously procured by the applicant, its value at the time of import/sourcing and the depreciated value for the purpose of assessment of duty under the scheme. Such cases shall not be required to be forwarded to Headquarters EPCG Committee. The concerned licensing authority shall issue EPCG licences based on the no objection certificate produced from the concerned Development Commissioner.

Consideration Of Applications

The applicant may apply for EPCG licence to the competent authority on the basis of self declaration subject to final fixation of nexus by Hqrs. EPCG Committee as per the financial power given in the table below. The applicant shall give an undertaking that in case the Hqrs EPCG Committee disallows the Capital Goods including Jigs, fixtures, dies, moulds and spares, the license holder shall pay Customs duty together with 24% interest on such goods.

The Regional Licencing authority, after issuance of the license, shall forward a copy of the application along with a copy of the license to the Hqrs EPCG Committee for its approval within 7 days of the issuance of the license except in such cases where the nexus norms have already been communicated by the Headquarters in any case or the same is already established on the basis of the EPCG licences , issued in the past by the port office.

CIF VALUE	COMPETENT AUTHORITY
Upto Rs. 50 Crore.	Regional Licensing Authority concerned
Above Rs. 50 Crore	Headquartes EPCG Committee

Fulfillment Of Export Obligation

Period from the date of issue of licence	Proportion of total export obligation
Block of 1st and 2nd year	NIL
Block of 3rd and 4th year	15%
Block of 5th and 6th year	35%
Block of 7th and 8th year	50%

However, the export obligation of a particular block of year may be set off by the excess exports made in the preceding block of year. Where export obligation of any particular block of year is not fulfilled in terms of the above proportions, except in such cases where the export obligation prescribed for a particular block of years is extended by the competent authority, such licence holder shall, within 3 months from the expiry of the block of years, pay duties of customs plus 24% interest of an amount equal to that proportion of the duty leviable on the goods which bears the same proportion as the unfulfilled portion of the export obligation bears to the total export obligation.

The licence holder shall, if he fails to discharge a minimum of 25% of the export obligation prescribed for any particular block of two years for two consecutive blocks under EPCG scheme, be liable to pay forthwith, the whole of duties of customs plus 24% interest leviable on the goods imported except in such cases where the export obligation prescribed for a particular year or block of year is extended by the competent authority,

However, the licences issued under the scheme upto 31.3.2000 shall be governed by provisions laid down in paragraph 6.11 as given in Handbook (Vol.1) (RE-99).

Monitoring of Export Obligation

The licence holder, upon installation of capital goods in the factory, shall produce to the concerned Licencing Authority, a certificate to this effect by the jurisdictional Excise Authorities within 6 months of clearance of such goods from Customs. The licence holder shall submit to the licensing authority, report on the progress made in fulfillment of export obligation against the licence issued to him. The report shall be submitted in the form given in Appendix -10C. The periodicity of the report shall be year-wise.

A Re-Export of Capital Goods Imported Under EPCG Scheme

Capital Goods imported under the EPCG scheme which are found defective or unsuitable for use may be re-exported with the permission of the Licensing Authority. In cases where the Capital Goods have been cleared without payment of basic Customs duty, no duty otherwise leviable on imports shall be paid on such re-export and the EPCG licence holder shall not be eligible for any drawback benefits. However, in cases where the Capital Goods have been cleared on payment of concessional customs duty, no duty otherwise leviable on imports shall be paid on such re-export and the EPCG license holder shall be entitled for drawback in lieu of concessional duty paid at the time of re-export. The export obligation imposed on such capital goods will be extinguished

Replacement of Capital Goods

The Capital Goods imported under the scheme and found defective or otherwise unfit for use may be re-exported and Capital Goods in replacement thereof be imported under the scheme. In such cases, while allowing re-export, the Customs shall recredit the duty benefit availed which can be debited again at the time of import of such replaced Capital Goods

Redemption

As evidence of fulfillment of export obligation, the licence holder shall furnish the following documents;

- a. For Physical Exports:
 - i. A consolidated statement of exports made in the form given in Appendix-10C, duly certified by a Chartered Accountant;
 - ii. A certificate from the bank evidencing exports and realisation in freely convertible currency.
- b. For Deemed Exports;
 - i. Copy of ARO/ Back to Back Inland letter of Credit
OR

- ii. Supply invoices duly certified by the Bond Office of EOU/EPZ concerned showing that supplies have been received;

OR

Invoices certified by the Project Authority concerned.

ii. The licensee shall also furnish the evidence of having received the payment through normal banking channel or a self certified copy of payment certificate issued by the Project authority concerned in the form given in Appendix-14B.

c. **For Services rendered:**

- i. Consolidated statement of services rendered in the form given in Appendix-10C, duly certified by a Chartered Accountant;
- ii. A certificate from the bank evidencing foreign exchange earning received through normal banking channel.

d. For supply of capital goods to EPCG licence holders, where the indigenous manufacturer imports components under EPCG: in case of import of components by indigenous manufacturer, he shall furnish;

- i. Certificate from the jurisdictional Excise authorities as evidence of having supplied/ received the manufactured capital goods;
- ii. Evidence of payment received through the normal banking channel, from the EPCG licence holder. On being satisfied, the licensing authority shall issue a certificate of discharge of export obligation to the EPCG Licence holder and send a copy of the same to the customs authorities with whom BG/LUT has been executed.

Pro Rata Reduction/ Extension In Export Obligation

If the EPCG licence holder has not utilised the full or utilised in excess, the CIF value of the licence for import/ indigenous procurement of capital goods allowed therein, his export obligation shall stand reduced/ enhanced on prorata basis with reference to the actual utilisation of the licence. In such cases where the CIF value actually utilised is more than the CIF value covered by the licence, the licence holder shall furnish additional fee to cover the excess CIF value of imports effected subsequently.

Extension of Export Obligation Period

The competent authority, , on merits, request for extension in export obligation period, including extension for any one year or any one block of years, for fulfillment of export obligation subject to the condition that extension of export obligation shall not exceed a total period of one year from the date of expiry of the export obligation period. The extension in export obligation period shall be subject to such terms and conditions as may be prescribed by the competent authority.

Penal Action

In case of failure to fulfill the export obligation or any other condition of the licence, the licence holder shall be liable for action under the Foreign Trade (Development & Regulation) Act, 1992, the Orders and Rules made there under, the provisions of the Policy and the Customs Act, 1962.

Export Obligation Shortfall

The competent authority as mentioned in paragraph 6.8 may also consider condonation of shortfall upto 5% in the export obligation subject to such terms and conditions as may be prescribed by them.

Maintenance of Records

Every EPCG licence holder shall maintain for a period of 3 years from the date of redemption, a true and proper account of the exports/supplies made and services rendered towards fulfillment of export obligation under the scheme.

Regularization of Bonafide Default

In case, EPCG licence holder fails to fulfill the prescribed export obligation, he shall pay duties of Customs plus 24% interest per annum to the Customs authority as per paragraph 6.11. In addition, the licence holder shall surrender to the licensing authority SIL of a value equivalent to 5 times the CIF value of actual imports on prorata basis.

Re-fixation of average export obligation

Wherever average level of export obligation was fixed taking into account the exports made to former USSR or to such countries as are notified by the Directorate General of Foreign Trade under this paragraph, the average level of exports shall be reduced by excluding exports made to such countries.