

EXPORT PROMOTION CAPITAL GOODS SCHEME

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Foreign Capital, Foreign Trade & BOP

Ministry of Commerce & Industry

Export Promotion Capital Goods Scheme

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In order to facilitate import of capital goods for producing quality goods and services and enhance India's manufacturing competitiveness, the Central Government has been implementing a Scheme called the Export Promotion Capital Goods Scheme under the Foreign Trade Policy for manufacturer exporters with or without supporting manufacturer(s), merchant exporters tied to supporting manufacturer(s) and service providers.

Under the Scheme, EPCG Authorizations are issued with actual user condition and import validity of 24 months to import capital goods (except those specified in negative list) for pre-production, production and post-production at zero customs duty, and subject to fulfilment of specific Export Obligation equivalent to 6 times of duties, taxes and cess saved on capital goods, to be fulfilled in 6 years from date of issue of Authorization. In addition, the Authorization holder is required to fulfil Average Export Obligation achieved by him in the preceding three licensing years for the same and similar products. However, if minimum 75% of specific Export Obligation and 100% of Average Export Obligation is fulfilled within half the original export obligation period, remaining export obligation can be condoned. Further, in case of indigenous sourcing of capital goods and for exports of Green Technology products, specific EO is only 75%. For Units located in North East Region and Jammu & Kashmir, specific EO is only 25%. Presently, capital goods imported for physical exports are also exempt from IGST and Compensation Cess up to 31.03.2019.

The number of defaulters reported in the last three years is 1347 nos. in 2015-16; 1122 nos. in 2016-17 and 1031 nos. in 2017-18. The Regional Authorities have taken penal action under the Foreign Trade (Development & regulation Act), 1992 by issuing show cause notices and passing adjudication orders for recovery of customs duty along with interest.

This information was given by the Minister of State of Commerce and Industry, C. R. Chaudhary, in written replies in the Lok Sabha today.

MM/SB

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