

CHAPTER-5

EXPORT PROMOTION CAPITAL GOODS SCHEME

EPCG Scheme	5.1	<p>The scheme allows import of new capital goods including CKD/SKD thereof as well as computer software systems at 5% Customs duty subject to an export obligation equivalent to 5 times CIF value of capital goods to be fulfilled over a period of 8 years reckoned from the date of issuance of licence over a period of 8 years.</p> <p>However, in respect of EPCG licences for Rs.100 crore or more, the same export obligation shall be required to be fulfilled over a period of 12 years.</p> <p>The capital goods shall include jigs, fixtures, dies and moulds. Spares may also be imported under the scheme upto 20% of the CIF value of capital goods. EPCG licence may also be issued for import of components of such capital goods required for assembly or manufacturer of capital goods by the licence holder.</p>
Eligibility	5.2	<p>The scheme covers manufacturer exporters with or without supporting manufacturer(s)/vendor(s), merchant exporters tied to supporting manufacturer(s) and service providers.</p>
Conditions for Import of Capital Goods		<p>Import of capital goods shall be subject to Actual User condition till the export obligation is completed.</p>
Export Obligation		<p>The following conditions shall apply to the fulfillment of the export obligation:-</p> <p>(i) The export obligation shall be fulfilled by the export of goods capable of being manufactured or produced by the use of the capital goods imported under the scheme. The export obligation may also be fulfilled by the export of same goods, for which EPCG licence has been obtained, manufactured or produced in different manufacturing units of the licence holder/ specified supporting manufacturer(s)/ vendor(s).</p> <p>However, if exporter is processing further to add value on the goods so manufactured, the export obligation shall stand enhanced by 50%.</p>

- (ii) The export obligation under the scheme shall be, in addition to any other export obligation undertaken by the importer, except the export obligation for the same product under Advance Licence, DFRC, DEPB or Drawback scheme. The export obligation under the scheme shall be, over and above, the average level of exports achieved by him in the preceding three licensing years for same and similar products except for categories mentioned in Handbook (Vol.1).

5.5.1 Any firm/ company acquiring a unit which is under BIFR shall be allowed 12 years for fulfilment of export obligation reckoned from the date of issuance of licence . This dispensation would be only for EPCG licences taken by the BIFR unit.

Indigenous Sourcing of Capital Goods and benefits to domestic supplier

A person holding an EPCG licence may source the capital goods from a domestic manufacturer instead of importing them. The domestic manufacturer supplying capital goods to EPCG licence holders shall be eligible for deemed export benefit under paragraph 8.3 of the Policy.

Benefits to domestic Supplier

5.7 In the event of a firm contract between the EPCG licence holder and domestic manufacturer for such sourcing, the domestic manufacturer may apply for the issuance of Advance Licence for deemed exports for the import of inputs including components required for the manufacturer of said capital goods.

The domestic manufacturer may also replenish the inputs including components after supply of capital goods to the EPCG licence holders. The export obligation relating to the EPCG licence shall be reckoned with reference to the CIF value of the licence actually utilized.

5.8

Service provider in Agri export zone shall have the facility to move or shift the capital goods within the zone provided he maintains accurate record of such movements. However, such equipments shall not be sold or leased by the licence holder.