Export Promotion Capital Goods Scheme (EPCG)

Why in News?

According to a recent report by the Comptroller and Auditor General, the Commerce Ministry needs to properly monitor the Export Promotion Capital Goods (EPCG) scheme.

- **EPCG Scheme** – It ***allows the import of capital goods*** for pre-production, production and post-production ***at zero customs duty***.
- It is *one of the earliest export promotion schemes* that is presently in operation.
- **Established in** – 1992.
- **Nodal Ministry** – Ministry of Commerce and Industry.
- **Administered by** – Regional Licensing Authorities (RLAs) under the Director General of Foreign Trade (DGFT).
- **Governed by** – Foreign Trade Policy (FTP).
- **Objective** – To *facilitate the import of capital goods* to produce quality goods and services and enhance India's manufacturing competitiveness.
- **Imported capital goods**
  - Computer systems and software are part of Capital Goods,
  - Spares, moulds, dies, jigs, fixtures, tools & refractories
  - Catalysts for initial charge plus one subsequent charge
- **EPCG License** – It is granted to exporters to import capital goods at a concessional rate of customs duty.
- The licensees have to *fulfil 2 types of Export Obligation (EO),* which are:
  1. Average export obligation for preceding 3 years exports.
  2. Specific exports 6 times the duty saved amount in 6 years.
- **Coverage** – It covers the following:
  - Manufacturer exporters with or without supporting manufacturer(s),
  - Merchant exporters tied to supporting manufacturer(s) and
  - Service providers, including Common Service Provider (CSP).
- **Pre-Requisite** – An ***Importer-Exporter Code (IEC) is required*** to be eligible under the scheme.
- **Exemption** - Integrated Goods and Services Tax (IGST) and Compensation cess on the import of capital goods are exempted until 31 March 2020.



References

1. Business Standard| CAG Report on EPCG
2. DGFT| Export Promotion Capital Goods Scheme
3. Indian Trade Portal| EPCG

SHANKAR IAS PARLIAMENT
Information is Empowering