

## 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](#)