

EPCG SCHEME

Q.1 What is EPCG Scheme?

A- Export Promotion Capital Goods (EPCG) scheme is a scheme which allows an exporter to import of capital goods including spares for pre-production, production, and post-production at zero Customs duty, for exports. Also, IGST on import of capital goods under EPCG is exempted till 31st March 2022.

Q.2 Who all are covered in the EPCG scheme?

Ans: 1. Manufacturer exporters with or without supporting manufacturers
 2. Merchant exporters tied to supporting manufacturers and
 3. Service providers including common service provider (CSP)

Q.3 Can a new exporter avail this scheme?

A- Yes, in such case, there will be no average export obligation.

Q.4 Which type of capital goods can be imported into India at zero customs duty under the EPCG scheme:

1. Plant, machinery, equipment or accessories required for manufacture or production, either directly or indirectly, of goods or for rendering services, including those required for replacement, modernization, technological upgradation or expansion.
2. Packaging machinery and equipment
3. Refractories for initial lining
4. Refrigeration equipment
5. Power generating sets
6. Machine Tools
7. Catalysts for initial charge
8. Equipment and instruments for testing, research and development, quality and pollution control
9. Capital goods used in manufacturing, mining, agriculture, aquaculture, animal husbandry, floriculture, horticulture, pisciculture, poultry, sericulture and viticulture as well as those used in services sector
10. Computer software systems

11. Spares, moulds, dies, jigs, fixtures
12. Catalysts for initial charge plus one subsequent charge

Q.4 Can the Capital goods be sourced indigenously?

A- EPCG authorization holder may source capital goods from domestic manufacturers also.

Q.5 What are the benefits for domestic sourcing?

A- Domestic manufacturers will be eligible for deemed export benefits. Specific EO shall be 25% less than the stipulated EO. Domestic sourcing of capital goods shall not attract GST till 31st March 2022.

Q.6 Which authority issues EPCG License and How to obtain EPCG License?

A- The issuing authorities are the Regional Licensing Authorities of Director General of Foreign Trade (DGFT), Ministry of Commerce & Industry.

An online application in Form ANF 5A is filed online at dgft.gov.in using digital signature with the Company and personal details.

Q.7 What documents are required for EPCG License?

- Ans:
1. Treasury Receipt Challan (if fee has not been paid electronically) evidencing payment of application fee in terms of Appendix 2L.
 2. Self-certified copy of MSME/IEM/LOI/IL in case of products or a self-certified copy of service Tax Registration in case of Service Providers. (in case of Service Providers, who are not registered with Service Tax authorities, a declaration in this regard will be submitted as part of the application (declaration no. 6), service tax registration is not required to be submitted. In such cases RCMC from EPC concerned will suffice).
 3. Certificate from a Chartered Engineer in the format given in Appendix 5A.
 4. Certificate of Chartered Accountant / Cost Accountant / Company Secretary in Appendix 5B.

For details, please click <http://dgft.gov.in/sites/default/files/ANF-5A.pdf>

Q.8 What is the time limit for issuance of EPCG authorization?

A- As per the Foreign Trade Polic, an application, which is complete in all respect, should be processed by DGFT in 3 days.

Q.9 What are the conditions to be fulfilled under EPCG scheme?

A- There are two types of export obligation that are mandatory:

1. Average export obligation for proceeding 3 years exports
2. Specific exports 6 times of duty saved amount in six years

Q. 10 How the Export Obligation under an EPCG to be fulfilled?

A- Export Obligation under EPCG Scheme is required to be fulfilled by export of goods manufactured/services rendered through the Machine by the applicant.

Q.11 How calculation of EO is done?

A- EO is reckoned with reference to actual Duty saved in case of direct import. On domestic sourcing, EO is reckoned with reference to notional Customs Duties saved on FOR value.

Q.12 Is there any exemption from maintenance of Average Export Obligation?

A- Exporters of (i) Handicrafts, (ii) Handlooms, (iii) Cottage & Tiny sector, (iv) Agriculture, (v) Aquaculture (including Fisheries), Pisciculture, (vi) Animal Husbandry, (vii) Floriculture & Horticulture, (viii) Poultry, (ix) Viticulture, (x) Sericulture, (xi) Carpets, (xii) Coir, and (xiii) Jute are exempted.

Q. 13 What is Installation Certificate and where is it required to be submitted?

A- Installation Certificate confirms installation of capital goods at factory / premises of authorization holder or his supporting manufacturer. It may be obtained from Jurisdictional Customs Authority or Chartered Engineering. It is required to be submitted to RA within 6 months from the date of completion of imports.

Q. 14 Whether exports made through third party will be considered for EO?

A- Yes, where the names of both Authorization holder and supporting manufacturer are indicated in export documents like Shipping Bill/ Bill of Exports etc. along with EPCG authorization number.

Q. 15 Whether capital goods imported by one unit can be transferred to another unit?

A- The transfer of Capital Goods from one unit of the company to their another unit may be allowed by EPCG Committee in DGFT subject to the condition that both the addresses are mentioned in IEC and RCMC and submission of fresh installation certificate is done within 6 months of such transfer.

Q. 16 What are the green technologies products? Is any special benefit is allowed under the Scheme for exports of such products?

A- Green technology products are: equipment for solar energy de-centralised and grid connected products, bio- mass gasifier or waste boiler, vapour absorption chillers, waste heat boilers, waste heat recovery units, unfired heat recovery steam generators, wind turbines, solar collector and parts thereof, water treatment plants, wind mill and wind mill turbine or engine, other generating sets – wind powered, electricity operated vehicles – motors cars, electrically operated vehicles – lorries and trucks, electrically operated vehicles – motor cycle and mopeds, and solar cells.

Exports of these products provides for reduced export obligation of 75%.

Q. 17 What is Post Export EPCG Duty Credit Scrip?

A- It is available to exporters who intend to import on full payment of applicable duties, taxes, and cess in cash and chose to opt this Scheme.

Q. 18 What is the Obligation under Post Export EPCG Scheme? What the procedure to avail the benefit?

A- Specific EO is 85% of the applicable specific EO. However, average EO shall remain unchanged.

A request for issuance of Duty Credit Scrip may be filed in ANF 5B in proportion of EO fulfilled within the specified export obligation period along with proof of actual duty payment, installation certificate, proof of EO fulfillment, etc. RA issues freely transferable duty credit scrip equivalent to proportionate EO fulfilled.

Q. 19 Whether export under EPCG Scheme is eligible for MEIS and other schemes?

A- Yes, MEIS benefit is over and above all schemes under the policy.

Q. 20 What should be done after fulfilling form ANF 5C along with the specified documents is required to be submitted to licensing authority for redemption.

A- An application on the prescribed form ANF 5C along with the specified documents is required to be submitted to licensing authority for redemption.