

NOTIFICATION NO 01/(RE-2013)/ 2009-2014

Dated: April 18, 2013

In exercise of powers conferred by Section 5 of the Foreign Trade (Development & Regulation) Act, 1992 (No. 22 of 1992) read with paragraph 1.2 of the Foreign Trade Policy 2009-2014, the Central Government hereby notifies the Chapter 5 of the Foreign Trade Policy, 2009-2014 harmonizing the two versions (Zero Duty and 3% Concessional Duty) of EPCG Schemes. This shall come into force w.e.f. 18 th April, 2013.

The text of Chapter 5 pertaining to Export Promotion Capital Goods (EPCG) Scheme is annexed (6 pages).

Effect of Notification : This version of Chapter 5 of the Foreign Trade Policy deals with policy provisions for Export Promotion Capital Goods (EPCG) Scheme. This will replace the existing version with immediate effect.

F. No. 18/03/AM-14/P-5

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Annexure

CHAPTER 5

EXPORT PROMOTION CAPITAL GOODS (EPCG) SCHEME

5.1 Zero Duty EPCG Scheme	(a) Zero duty EPCG scheme allows import of capital goods (including CKD/SKD thereof as well as computer software systems) for pre-production, production and post-production at zero Customs duty, subject to an export obligation equivalent to 6 times of duty saved on capital goods imported under EPCG scheme, to be fulfilled in 6 years reckoned from Authorization issue-date. (b) Zero duty EPCG scheme shall not be available to exporters, who avail in that year, the benefit of Status Holder Incentive Scheme under Paragraph 3.16 of FTP. In case they have already availed SHIS benefit they would be eligible for Zero Duty Scheme if they surrender or refund SHIS, with applicable interest in case SHIS has been utilized. (c) In case countervailing duty (CVD) is paid in cash on imports under EPCG, incidence of CVD would not be taken for computation of net duty saved, provided the same is not CENVATed. (d) Capital Goods shall include spares (including refurbished/reconditioned spares), tools, jigs, fixtures, dies and moulds. (e) Second hand capital goods shall not be permitted to be imported under EPCG Scheme. (f) Import of Restricted items of imports mentioned under ITC (HS) shall only be allowed under EPCG Scheme after approval from EFC at Headquarters.
5.2A	(a) Spares (including refurbished/reconditioned

	<p>spares), moulds, dies, jigs, fixtures, tools, and refractory for initial lining; for existing plant and machinery (imported earlier, under EPCG or otherwise), shall be allowed to be imported under the EPCG scheme subject to an export obligation equivalent to 50% of the export obligation prescribed in para 5.1 above (for import of capital goods), to be fulfilled in 6 years, reckoned from Authorization issue date. This would however be subject to the condition that the c.i.f. value of import of the above spares etc. will be limited to 10% of the value of plant and machinery imported under the EPCG scheme. In case of plant and machinery not imported under the EPCG scheme, c.i.f. value of import of the spares etc. will be limited to 10% of the book value of the plant and machinery.</p> <p>(b) Provision of Para 5.2A will not be applicable for import of spares in respect of capital goods sourced indigenously.</p> <p>(c) Spares in respect of CG imported under EPCG or imported otherwise can be imported under para 5.1 (d) without a limit (of % of the value of CG) but shall attract export obligation of 100% of the normal EO.</p>
5.2B EPCG for Projects	<p>(a) Import of capital goods under EPCG authorizations can also be availed which are covered under Scheme for Project Imports notified by the Central Board of Excise and Customs vide Customs Notification No. 12/2012 dated 17.03.2012.</p> <p>(b) Export obligation for such EPCG Authorizations would be 6 times of duty saved. Duty saved would be difference between the effective duty under aforesaid Customs Notification and concessional duty under the EPCG Scheme.</p>
5.2C EPCG for Retail Sector	EPCG scheme shall also be available for import of capital goods required by retailers having minimum area of 1000 sq. meters to create modern infrastructure in retail sector.
5.2D EPCG Authorization for Annual Requirement	Status Holders, exporters having past export performance (in preceding two years) can also avail EPCG Authorization for Annual Requirement. The annual entitlement in terms of duty saved amount shall be upto 50% of FOB value of Physical Export, Service Exports and / or FOR value of Deemed Export, in preceding licensing year.
5.3 Eligibility	(a) EPCG scheme covers manufacturer exporters with or without supporting manufacturer(s) / vendor(s), merchant exporters tied to supporting manufacturer(s)

	<p>and service providers.</p> <p>(b) Export Promotion Capital Goods (EPCG) Scheme also covers a service provider who is designated / certified as a Common Service Provider (CSP) by the DGFT, Department of Commerce or State Industrial Infrastructural Corporation in a Town of Export Excellence subject to provisions of Foreign Trade Policy/Handbook of Procedures with the following conditions:-</p> <p>(i) Exports by users of the common service, to be counted towards fulfilment of EO of the CSP shall (i) contain the EPCG Authorization details of the CSP in the respective Shipping bills and (ii) concerned RA must be informed about the details of the Users prior to such export;</p> <p>(ii) Such exports will not count towards fulfilment of other specific export obligations; and</p> <p>(iii) Bank Guarantee (BG) shall be equivalent to the duty saved. BG can be given by CSP or by any one of the users or a combination thereof, at the option of the CSP.</p>
<p>5.4 AU Condition under EPCG</p>	<p>Import of capital goods shall be subject to Actual User condition till export obligation is completed.</p>
<p>5.5 Export Obligation (EO)</p>	<p>Following conditions shall apply to the fulfilment of the EO:-</p> <p>(a) EO shall be fulfilled by export of goods manufactured / services rendered by the applicant.</p> <p>(b) EO under the scheme shall be, over and above, the average level of exports achieved by the applicant in the preceding three licensing years for the same and similar products within the overall EO period including extended period, if any; except for categories mentioned in paragraph 5.7.6 of HBP Vol. I. Such average would be the arithmetic mean of export performance in the preceding three years for the same and similar products provided that Premier Trading House (PTH) shall have option of fixing average level of exports based on arithmetic mean of export performance in the last five years instead of three years.</p> <p>(c) In case of indigenous sourcing of Capital Goods, specific EO shall be 10% less than the EO stipulated in Para 5.1 above.</p> <p>(d) Shipments under Advance Authorization, DFRC, DFIA, or Drawback scheme, or incentive schemes under</p>

	<p>Chapter 3 of FTP; would also count for fulfilment of EO under EPCG Scheme.</p> <p>(e) EO can also be fulfilled by the supply of ITA-I items to DTA, provided realization is in free foreign exchange.</p> <p>(f) Exports shall be physical exports. However, deemed exports as specified in paragraph 8.2 (a), (b), (d), (f), & (j) of FTP shall also be counted towards fulfilment of export obligation, alongwith usual benefits available under paragraph 8.3 of FTP.</p> <p>(g) Royalty payments received by the Authorization Holder in freely convertible currency and foreign exchange received for R&D services shall also be counted for discharge under EPCG.</p> <p>(h) Payment received in rupee terms for port handling services, in terms of Chapter 9 of FTP shall also be counted for EO discharge.</p>
5.5.1 Provision for BIFR units	<p>(a) Any firm/ company registered with BIFR or any firm/ company acquiring a unit, which is under BIFR, may be allowed EO extension, as per rehabilitation package prepared by operating agency and approved by BIFR / Rehabilitation Department of State Government, upto 9 years if not specified.</p> <p>(b) Above provisions also apply to SSI units as per rehabilitation scheme of concerned State government.</p>
5.5.2 EPCG for Agro units	LUT/Bond or 15% BG (as applicable) may be given for EPCG Authorization granted to units in Agri Export Zones provided EPCG Authorization is taken for export of primary agricultural product(s) notified in Appendix 8 or their value added variants.
5.6 Indigenous Sourcing of Capital Goods and benefits to Domestic Supplier	A person holding an EPCG Authorization may source capital goods from a domestic manufacturer. Such domestic manufacturer shall be eligible for deemed export benefit under paragraph 8.3 of FTP. Such domestic sourcing shall also be permitted from EOUs and these supplies shall be counted for purpose of fulfilment of positive NFE by said EOU as provided in Para 6.9 (a) of FTP.
5.7 Fixation of Export Obligation (EO)	In case of direct imports, EO shall be reckoned with reference to actual duty saved amount. In case of domestic sourcing, EO shall be reckoned with reference to notional Customs duties saved on FOR value.
5.8 Technological Upgradation of existing	EPCG Authorization holders can opt for 'Technological Upgradation' of existing capital goods imported under EPCG Authorization(s). Conditions governing are as

EPCG machinery	<p>under:</p> <p>(a) Minimum time period for applying for 'Technological Upgradation' is 4 years from earlier EPCG Authorization issue-date.</p> <p>(b) Minimum exports made must be 50% of total export obligation imposed on earlier EPCG Authorization(s).</p> <p>(c) EO would be re-fixed such that</p> <p>(i) total EO shall be sum total of 6 times of duty saved of earlier EPCG and the new one, and</p> <p>(ii) EOP is 6 years from EPCG authorization issue-date under this Para.</p> <p>(d) Facility for technological up-gradation shall be available only once and the minimum imports to be made shall be at least 10% of the existing investment in plant and machinery by applicant.</p> <p>(e) Capital Goods to be imported must be new and technologically superior to earlier CG (to be certified by Chartered Engineer).</p>
5.9 Incentive for early EO fulfilment	<p>With a view to accelerate exports, in cases where Authorization holder has fulfilled 75% or more of specific export obligation and 100% of Average Export Obligation till date, if any, in half or less than half the original export obligation period specified, remaining export obligation shall be condoned and the Authorization redeemed by RA concerned. However no benefits under Para 5.12 of HBP v1 shall be available in such cases.</p>
5.10 EPCG for Green Technology Products - reduced EO	<p>For exporters of Green Technology Products, Specific EO shall be 75% of EO as stipulated in Para 5.1 above. There shall be no change in average EO as stipulated in Para 5.5, if any. The list of Green Technology Products is given in Para 5.23 of HBP v1.</p>
5.11 Post Export EPCG Duty Credit Scrip(s)	<p>(a) Post Export EPCG Duty Credit Scrip (s) shall be available to exporters who intend to import capital goods on full payment of applicable duties in cash and choose to opt for this scheme .</p> <p>(b) Basic Customs duty paid on Capital Goods shall be remitted in the form of freely transferable duty credit scrip(s), similar to those issued under Chapter 3 of FTP.</p> <p>(c) Specific EO under this Scheme shall be 85% of the applicable specific EO, if the imports of such Capital Goods had taken benefit of duty exemption. Average EO continues to remain unchanged.</p> <p>(d) Duty remission shall be in proportion to the EO fulfilled.</p>

	<p>(e) These Duty Credit Scrip(s) can be used for payment of applicable custom duties for imports and applicable excise duties for domestic procurement.</p> <p>(f) All provisions of the existing EPCG Scheme shall apply insofar as they are not inconsistent with this scheme.</p>
5.12 Reduced EO for North East Region and J&K	For units located in Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Jammu & Kashmir, specific EO shall be 25% of the EO, as stipulated in Para 5.1 or Para 5.2, as applicable. There shall be no change in average EO as stipulated in Para 5.5, if any.