



KAMARAJ IAS ACADEMY
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Export Promotion Capital Goods (EPCG) Scheme

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Why is in news? Centre announces one-time relaxation from maintaining average export obligation for certain sectors under EPCG Scheme

The Centre has announced a one-time relaxation from maintaining average export obligation and an option to extend the export obligation period for certain sectors under the Export Promotion Capital Goods (EPCG) Scheme.

The **sectors that are eligible** for this relief are the **Hotel, Healthcare, and Educational sectors**. For the years 2020-21 and 2021-22, these sectors will not be required to maintain average export obligation for EPCG authorizations issued to them. This relief will help the Hotel, Healthcare and Educational sectors to cope with the negative impact of the pandemic on their export activities.

However, for EPCG authorizations issued for sectors other than Hotel, Healthcare and Educational, the export obligation period may be extended for the number of days the existing export obligation period falls within 1st of February, 2020 and 31st of July, 2021.

This extension will be **granted without payment of composition fees**, but with a five per cent additional export obligation in value terms on the balance export obligation as on 31st of March, 2022

This relaxation has been provided in light of the economic slowdown caused by the COVID-19 pandemic.

EPCG scheme is a trade promotion scheme implemented by the Indian government that **allows duty-free import of capital goods for the purpose of export production in India**.

The EPCG scheme is administered by the **Directorate General of Foreign Trade (DGFT)** and is governed by the Foreign Trade Policy of India.

The objective of the Export Promotion Capital Goods (EPCG) Scheme is to facilitate import of capital goods for producing quality goods and services and enhance India's manufacturing competitiveness.

EPCG Scheme allows import of capital goods for pre-production, production and post-production at zero customs duty.

Capital goods imported under EPCG for physical exports are also exempt from IGST and Compensation Cess up to 31.03.2020.

Capital goods for the purpose of the EPCG scheme shall include:

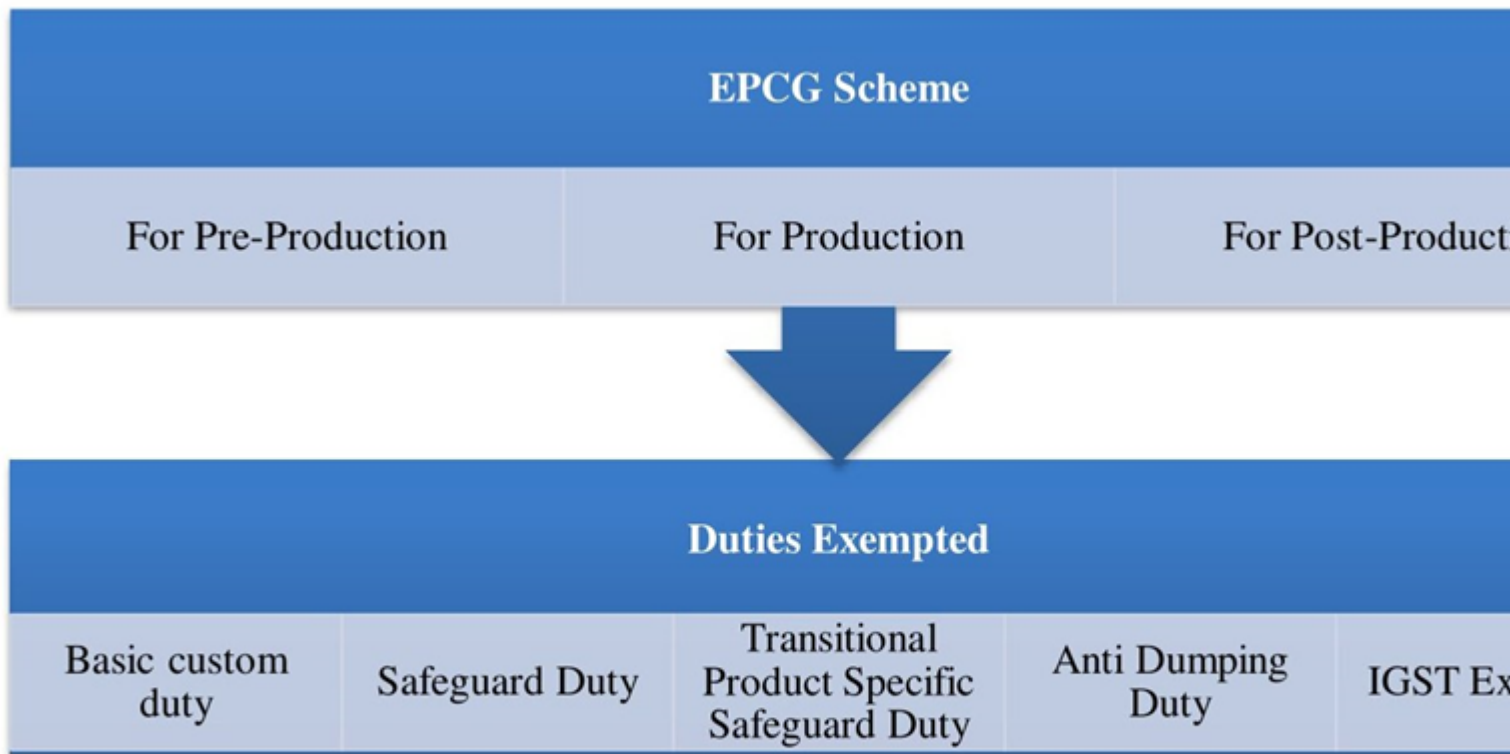
- a) Capital Goods as defined in Chapter 9
- b) Computer systems and software which are a part of the Capital Goods
- c) Spares, moulds, dies, jigs, fixtures, tools & refractories
- d) Catalysts for initial charge plus one subsequent charge

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e)EPCG scheme covers manufacturer exporters with or without supporting manufacturer(s), merchant exporters tied to supporting manufacturer(s) and service providers.



EPCG Scheme