

# Continuation of Export Promotion Capital Goods Scheme Under Review

**Kirtika.Suneja**  
@timesgroup.com

**New Delhi:** The government is reviewing the continuation of a key export scheme, Export Promotion Capital Goods (EPCG), launched in the 1990s, that allows exporters to import certain capital goods used in manufacturing without paying duty.

The commerce department is examining whether the scheme found to be inconsistent with the rules of the World Trade Organization is still needed or can be discontinued.

“There is a thought in certain sections of the government that the EPCG scheme is not supporting the growth of the domestic capital goods industry and should be discontinued,” said a government official, who did not wish to be identified.

Commerce secretary BVR Subrahmanyam told the media last week that EPCG is not off the table but certain schemes are under question.



According to people familiar with the matter, the revenue department is in favour of gradually phasing out the scheme. The benefits under the scheme offered to the power sector were withdrawn almost ten years ago.

The commerce and industry ministry has held one round of talks with industry on the issue.

Under the scheme, import of capital goods for pre-production, production and post-production is allowed at zero duty. However, this is subject to ful-

filment of specific export obligation equivalent to six times of duty, taxes and cess saved on capital goods, to be fulfilled in six years from the date of issue of authorisation.

Almost 95,000 authorisations were issued between 2015-21. Exporters have urged the government to continue the scheme as a six-year export obligation period helps them sustain their exports despite challenging conditions.

“Many companies would have stopped exporting had there been no export obligation under EPCG,” an industry representative who participated in the stakeholder consultation late last month said.

As per another trade representative, the finance ministry’s Manufacturing and Other Operations in Warehouse Regulations Scheme allows duty-free import of capital goods even for domestic production unlike EPCG, which generates committed exports, and hence, the scheme should not be withdrawn.