The EPCG scheme envisages the easy route of import of new and second hand capital goods by manufacturers, exporters, merchant exporters, and service providers under a licence.

Under EPCG scheme, custom duty at 15 per cent is imposed, if the c.i.f. value of imports is up to Rs 20 crores. The importer should give an export obligation of 4 times the c.i.f. value of imports for 5 years. In case the c.i.f. value of imports is Rs 20 crores (or) more, zero duty is applicable. However, the export obligation shall be enhanced to 6 times the c.i.f. value of imports for 6 years. The export obligation shall be on F.O.B. basis. However, in the case of zero duty imports the licence holder may apply for fulfillment of the export obligation by exporting 4 times the c.i.f. value of the capital goods on NFE basis within a period of 8 years. While calculating export obligation on NFE (other than capital goods) will be deducted from the relevant export products.

Import of capital goods under EPCG scheme shall be subject to “Actual User” condition till the export obligation is completed. The importer shall be required to execute, with the licensing authority a legal undertaking supported by a bank guarantee wherever necessary for the fulfillment of the export obligation.

A person holding a licence under EPCG scheme may source the capital goods from a domestic manufacturer instead of importing them. The domestic manufactures may also apply under EPCG scheme for the import of components required for the manufacture of the said capital goods at a concessional customs duty of 15 per cent.

Source: Exim policy, 1st April 1992 - 31st March 1997