

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF COMMERCE
DIRECTORATE GENERAL OF FOREIGN TRADE

Policy Circular No. 14 (RE-2006)/ 2004-09

Date: 25.07.2006

Subject: Regarding payment of 5% customs duty against EPCG licence/Authorisation where the capital goods are procured domestically in terms of para 5.6 of the Foreign Trade Policy.

Attention is invited to para 5.1 of the Foreign Trade Policy which provides for import of capital goods at a concessional rate of 5% customs duty subject to the fulfillment of the applicable corresponding export obligation on duty saved amount.

2. Attention is also invited to para 5.6 of the Foreign Trade Policy which permits such capital goods etc. to be sourced domestically and provides for deemed export benefits as per para 8.3 of the Foreign Trade Policy to the domestic supplier.

3. Clarification has been sought whether this 5% customs duty is payable in case these capital goods are sourced domestically by the EPCG Authorisation holder. The matter was deliberated upon in the Policy Interpretation Committee in its meeting No.02/AM07 held on 20.06.2006 where it was observed that EPCG scheme is based upon clearance of capital goods etc. at a concessional rate of 5% customs duty. It was further observed that exempting domestic procurement of capital goods from this component of duty would make the benefits under the scheme as prohibited subsidy as per ASCM Agreement. To that extent 5% duty under EPCG Scheme has to be paid even in cases of domestic procurement.

4. It is clarified that 5% applicable customs duty on notional basis shall be charged before EPCG Authorisation is invalidated for direct import and EO shall be calculable at the reduced duty saved amount accordingly. These instructions will be implemented prospectively and shall be applicable in all such cases where Authorisations have to be issued henceforth or where Authorisation/licence has already been issued but invalidation has not been allowed so far.

This issues with the approval of the Competent Authority.

Sd/-
(M.K. Parimoo)
Joint Director General of Foreign Trade

To

All the Regional Authorities

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