

Government considering continuation of export promotion scheme in new trade policy

The Centre is considering the option of continuing the Export Promotion Capital Goods (EPCG) scheme, which allows exporters to import certain capital goods used in manufacturing without paying duties, for some more time, despite a World Trade Organization (WTO) panel ruling that the scheme is not consistent with multilateral rules.

In ongoing consultations for the new Foreign Trade Policy (FTP), the Directorate-General of Foreign Trade (DGFT) has received a number of representations from export bodies for continuation of the EPCG scheme.

Our exporters need continued support in acquiring machinery, for production of high quality goods. At this time of global uncertainty, removing the import duty exemption benefits could hit them hard. There is big demand from the industry for continuation of the EPCG scheme and the government is seriously considering it.

Under the EPCG schemes, import of capital goods for pre-production, production and post-production is allowed at zero customs duty, subject to fulfilment of specific Export Obligations equivalent to six times of duties, taxes and cess saved on capital goods, to be fulfilled in six years. The capital goods allowed under the EPCG scheme includes spares (including reconditioned/ refurbished), fixtures, jigs, tool, moulds and dyes. Capital goods attract an average customs duty of around 7.5 per cent, so an exemption results in significant benefits for exporters.

India has already rolled back the MEIS scheme from the beginning of 2021, as it was a more direct export subsidy because of the way the incentives were fixed and given out to exporters in various sectors. However, one may argue that the EPCG scheme is unlikely to lead to market distortions as it is only an import duty relief given to exporters to upgrade their technology. Continuing the EPCG scheme would certainly ruffle fewer feathers globally than continuing the MEIS would have done.

Source: The Business Line