Chapter 23

Export Promotion Schemes

1. Introduction:

1.1 The Export Promotion Schemes can be categorized as,-

(i) Duty exemption scheme which permit duty free import of inputs required for export production viz.Advance Authorisation and Duty Free import Authorisation (DFIA);

(ii) Duty remission scheme which enable post-export replenishment of / remission of duty paid on inputs viz.Duty Entitlement Pass Book Scheme;

(iii) Reward schemes which entitle exporters to duty credit scrips subject to various specific conditions like Served from India Scheme (SFIS), Vishesh Krishi Gram Udyog Yojana (VKGUY), Focus Market Scheme (FMS), Focus Product Scheme (FPS) and Status Holder Incentive Scheme.

(iv) Export Promotion Capital Goods (EPCG) Scheme which permits an exporter to import Capital Goods at concessional / Nil duty against an export obligation to be fulfilled in specified time.

2. Advance Authorisation Scheme:

2.1 The Advance Authorisations are issued to allow duty free import of inputs, which are physically incorporated in the export product (after making normal allowance for wastage). In addition, fuel, oil, energy catalysts, etc., which are consumed in the course of their use to obtain the export product are also allowed under the scheme. The raw materials/inputs are allowed duty free as per the quantity specified in the Standard Input-Output Norms (SION) notified by the DGFT or as per self-declared norms of the exporter in terms of Para 4.7 of Handbook of Procedures (HBP) Vol.1. The Advance Authorisations are not issued for some specified items like vegetable oils, cereals, spices, honey etc.. The Advance Authorisation holder is required to fulfil the export obligation (EO) by exporting a specified quantity/value of the resultant product.

2.2 The Advance Authorisations are issued both for physical exports as well as deemed exports. These are also issued on the basis of annual requirements of the exporter, which enables him to plan his manufacturing / export programme on a long term basis. The Advance Authorisations are issued on pre-export or post export basis in accordance with the FTP and procedures in force on the date of issue of Authorisation.

2.3 The Advance Authorisations are issued either to a manufacturer exporter or merchant exporter tied to a supporting manufacturer(s). They can also be issued to sub-contractors in respect of supplies of goods to specified projects provided the name of such sub-contractor appears in the main contract. The Advance Authorisation Schemes (normal Advance Authorisation, Advance Authorisation for Annual Requirement have been operationalized through the Notifications No. 96/2009-Cus. And No. 99/2009-Cus. both dated 11.9.2009 with minor variations in the conditions. The Advance Authorisation for Deemed Exports Scheme has also been operationalized by a Customs Notification No. 112/2009-Cus. dated 29.09.2009).

2.4 The Advance authorisations are issued with a minimum of 15% value addition with effect from the current FTP, 2009-14. The value addition for gems and jewellery and for specified goods is specified as per Appendix-11B and para 4A2.1 of HBP Vol.1. In case of Authorisation for Tea, the minimum value addition is 50% as per para 4.1.6 of FTP (RE-2010). Higher value additions are prescribed for exports for which payments are not received in freely convertible currency. The Advance Authorisations and/or materials, imported there under are not transferable even after completion of export obligation.

2.5 The imports/exports against Advance Authorisations and their utilization require proper monitoring as the goods are imported duty free against a liability to export. For this, the Advance Authorisation holder is required to maintain a proper record of his imports and exports and to pay the duties in case he is unable to fulfil his export obligation, the Advance Authorisation holder is required to indicate the Advance Authorization No./ date on the body of the Shipping Bill/Invoice (in case of deemed exports). After fulfilment of specified export obligation, the Advance Authorisation holder is required to submit relevant export documents along with Advance Authorisation to the DGFT authorities for obtaining Export Obligation Discharge Certificate (EODC). After obtaining EODC, the Advance Authorisation Authorization holder produces the same before the Customs for the purpose of obtaining redemption of bond/Bank Guarantee filed by him. The concerned Commissioners of Customs and Central Excise are also required to effectively monitor the compliance with provisions of Customs Notifications. The Commissioners of Customs have also been advised to put in place an institutional mechanism whereby they meet the RLA at least once every quarter to pursue issues relating to EO fulfilment status so that the action is taken against defaulters.

[Refer Circular No.5/2010–Cus., dated 16-3-2010; and Instruction F. No.609/119/2010, dated 18-1-2011]

2.6. In the event of failure to fulfil the EO, the Advance Authorisation holder becomes liable to pay the differential Customs duties with interest as notified on such duties. The Advance Authorization holder is required to file a bond with 100% Bank Guarantee for the duty difference at the time of import of duty free inputs. Certain categories of exporters, however, have been exempted from filing Bank Guarantees subject to certain conditions.

[Refer Circulars No.58/2004-Cus., dated 21-10-2004; No.17/2009-Cus., dated 25-5-2009; No.32/2009-Cus., dated 25-11-2009; and No.6/2011-Cus., dated 18-1-2011]

2.7 The Advance Authorisations normally have a validity period for fulfilment of Export Obligation(EO) of 36 months from the date of issue with certain exceptions as per para 4.22 of HBP Vol.1. The relevant DGFT authority who issues the Authorisation is competent to grant revalidation or grant extension of EO period beyond the prescribed period. No All Industry Rate (AIR) of Duty Drawback is admissible to an Advance Authorisation holder. However, the Advance Authorisation holder is entitled to claim Brand Rate of Duty Drawback in respect of inputs which are not imported against the Advance Authorisation and on which Customs/Excise duties have been paid. Every Advance Authorisation holder is required to maintain a true and proper account of consumption and utilisation of duty free imported/domestically procured goods for a minimum period of 3 years as per para 4.30 of HBP Vol.1.

3. Duty Free Import Authorisation (DFIA):

3.1 The Duty Free Import Authorisation (DFIA) scheme introduced in 2006 is similar to Advance Authorisation scheme in most aspects **except** with **a** minimum value addition requirement of 20%. Once export obligation is completed, transferability of authorisation/ material imported against the authorisation is permitted. However, once the transferability has been endorsed, the inputs can be imported/domestically sourced only on payment of Additional Customs duty/Central Excise duty. The DFIA Authorisations are issued only for products for which SION have been notified. This scheme is operationalized through a Notification No.40/2006-Cus., dated 1-5-2006. The DFIA Scheme in the present FTP (2009-14) was operationalized by the Customs Notification No.98/2009-Cus. dt.11.09.2009.

3.2 The monitoring of export obligation is an essential ingredient of the DFIA scheme. Thus, the Commissioners of Customs have been advised to put in place an institutional mechanism whereby they meet the RLA at least once every quarter to pursue issues relating to EO fulfilment status so that the concerted action is taken against defaulters. Further, there is a requirement that in case the facility of rebate under Rules 18 or 19(2) of the Central Excise Rules, 2002 or CENVAT facility under the Cenvat Rules, 2004 has been availed, then the duty free imported goods have to be used in the manufacture of the dutiable goods.

[Refer Circular No.11/2009-Cus., dated 25-2-2009; No.6/2011-Cus. dated 18.1.2011 and Instruction F. No.609/119/2010 dated 18-1-2011]

4 Reward Scheme – Served From India Scheme:

4.1 Served From India Scheme (SFIS) incentivizes exports of specified goods/exports to certain countries. The objective of SFIS is to “accelerate growth in export of services so as to create a powerful and unique ‘Served From India’ brand, instantly recognized and respected world over.” SFIS is operationalised vide Notification No.91/2009-Cus., dated 11-9-2009**.**

4.2 All Indian service providers, who have free foreign exchange earning of at least Rs.10/ - lakhs in preceding financial year/current financial year are eligible for SFIS. For individuals, the limit of minimum free foreign exchange earnings is Rs.5/- lakhs. Under this scheme, duty credit scrip @10% of free foreign exchange earnings are given to the exporter.

4.3 The duty credit scrip can be used for import of any capital goods including spares, office equipment and professional equipment, office furniture and consumables that are otherwise freely importable and/or restricted under ITC (HS). Imports have to relate to any service sector business of applicant. While import of vehicles per se is not permitted, vehicles in the nature of professional equipments to the service provider like Air Fire Fighting and Rescue Vehicles (AFFRVS), Heavy Duty Modular Trailer Combination etc. are permitted. In case of hotels, clubs having residential facility of minimum 30 rooms, golf resorts and stand-alone restaurants having catering facilities, duty credit scrip can also be used to import consumables including food items and alcoholic beverages.

4.4 The entitlement/goods (imported/procured) are subject to Actual User condition i.e. non-transferable (except within group company and managed hotels).

4.5 The duty credit scrip is permitted to be utilized for procurement from domestic sources, in terms of Notification No. 34/2006-CE, dated 14-6-2006.

5. Reward scheme – Vishesh Krishi and Gram Uduog Yojana (VKGUY) or Special Agriculture and Village Industry scheme:

5.1 The objective of VKGUY is to promote exports of specified agricultural products, and Gram Udyog products, forest based products. The scheme is operationalized vide Notification No.94/2009-Cus., and No.95/2009-Cus., both dated 11-9-2009.

5.2 Duty credit scrips are granted @5% of FOB value of exports in free foreign exchange. This rate is reduced to 3% in cases where exporter has also availed benefits of (i) Drawback at rates higher than 1%; and/or (ii) Specific DEPB rate i.e. other than Miscellaneous Category – Sr. Nos. 22D & 22C of Product Group 90 of the DEPB Schedule; and/or (iii) Advance Authorization or Duty Free Import Authorization import for inputs other than catalysts, consumables and packing materials. Some specified flowers, fruits, vegetables and other products, are entitled to an additional duty credit scrip equivalent to 2% of FOB value of exports (over and above the 5% or 3% VKGUY reduced rate entitlement).

5.3 The Status Holders, as defined in para 3.10.2 of the FTP exporting specified agricultural products are entitled to Agri. Infrastructure Incentive Scrip (AIIS) equal to 10% of FOB value of agricultural exports (including VKGUY benefits). The following capital goods / equipments are permitted for import against AIIS:

I. Cold storage units including Controlled Atmosphere (CA) and Modified Atmosphere (MA) stores; Pre-cooling units and Mother Storage units for Onions, etc.;

II. Pack Houses (including facilities for handling, grading, sorting and packaging etc.);

III. Reefer Van/containers; and

IV. Other capital goods/equipments as may be notified in Appendix 37F.

5.4 The goods imported against AIIS are subject to actual user condition and hence non-transferable. However, the scrips issued under AIIS are freely transferable amongst Status Holders as well as to units (not including developers) in Food Parks for import of Cold Chain equipment.

6. Reward scheme - Focus Market Scheme (FMS):

6.1 The objective of this scheme is to offset high freight cost and other externalities to select international markets with a view to enhance India's export competitiveness in these countries. The scheme is operationalized vide Notification No.94/2009-Cus., and No.95/2009-Cus., both dated 11-9-2009.

6.2 The exporters of all products to countries, as notified in Appendix 37C of HBP Vol.1, are entitled for Duty Credit Scrip equivalent to 3% of FOB value of exports in free foreign exchange.

6.3 In the annual supplement to the Foreign Trade Policy, announced by DGFT on 13.10.2011, a new scheme – "Special Focus Market Scheme (SFMS)" has been introduced. Under this scheme exports to 41 countries would be incentivized with additional 1% duty credit for exports made with effect from 01.04.2011. This duty credit is over and above the duty credit granted under FMS i.e. if an item covered under FMS is exported to the countries listed under SFMS, then the total duty credit would be @4%. The list of countries has been given in Table -3 in the appendix 37 C of HBP v1. Para 3.14.2 of the Error! Hyperlink reference not valid. has been amended by Notification No.79 (RE-2010)/2009-14 dated 13.10.2011.

6.4 In terms of Notification No. 93/2009-Cus., dated 11-9-2009 the following categories of export products/sectors are ineligible for Duty Credit Scrip, under FMS:

(a) Supplies made to SEZ units;

(b) Service exports;

(c) Diamonds and other precious, semi precious stones, gold, silver, platinum and other precious metals in any form, including plain and studded jewellery;

(d) Ores and concentrates, of all types and in all forms;

(e) Cereals, of all types;

(f) Sugar, of all types and in all forms;

(g) Crude/petroleum oil and crude/petroleum based products covered under ITC HS codes 2709 to 2715, of all types and in all forms; and

(h) Milk and milk products covered under ITC HS codes 0401 to 0406, 19011001, 19011010, 2105 and 3501.

7. Reward scheme - Focus Product Scheme (FPS):

7.1 The objective of this scheme is to incentivise export of specified products notified in Appendix 37D of HBP Vol.1 to all countries (including SEZ units). The exporters are entitled for Duty Credit Scrip @ 2% of FOB value of exports in free foreign exchange. However, Special Focus Product(s)/sector(s), covered under Tables 2 and 5 of Appendix 37D, are eligible for Duty Credit Scrip equivalent to 5% of FOB value of exports in free foreign exchange. Further, Focus Product(s)/sector(s) notified under Table 7 of Appendix 37D of the HBP Vol.1 are granted additional Duty Credit Scrip equivalent to 2% of FOB value of exports in free foreign exchange over and above the existing rate for that product/sector from the admissible date of export /period specified in the public notice issued to notify the product/sector. This scheme is operationalized vide Notification No.92/2009-Cus., dated 11-9-2009.

7.2 In the annual supplement to the Foreign Trade Policy, announced by DGFT on 13.10.2011, a new scheme – "Special Bonus Benefit Scheme" has been introduced. Under this scheme 50 products of engineering, pharamaceutical and chemical sectors have been granted duty credit @ 1% of the value. This scheme will be available on exports made on or after 01.10.2011 and would automatically sunset on 31.03.2012. The list of products at 6- digit / 8-digit levels has been given in the newly created Table-8 in the appendix 37 D of the FPS scheme. For this para 3.15.2 of the FTP 2009-14has been amended by Notification No.79(RE-2010)/2009-14 dated 13.10.2011.

8. Reward scheme - Market Linked Focus Products Scrip (MLFPS):

8.1 The export of products/sectors of high export intensity/employment potential (which are not covered under present Focus Product Scheme List) are incentivized at 2% of FOB value of exports in free foreign exchange under Focus Product Scheme when exported to the Linked Markets (countries), which are not covered in the present FMS list.

9. Reward scheme - Status Holders Incentive Scrip (SHIS):

9.1 The Status Holders of specified sectors are provided with an extra scrip called the SHIS @ 1% of the of FOB value of exports of these sectors made during 2009-10, 2010-11 and 2011-12 **and 2012-13**. The objective of the scheme is to promote investment in upgradation of technology of some specified sectors. This scheme is operationalized vide Notification No.104/2009-Cus., dated 14-9-2009.

9.2 The SHIS is not issued to the exporters in a particular year if they have in that year availed the benefits of Technology Upgradation Fund Scheme (TUFS) or/and have got zero percent EPCG Authorisation.

9.3 The SHIS is issued with actual user condition and may be used for imports of capital goods (as defined in FTP) relating to certain specified sectors.

10. Expired/abolished Export Promotion Schemes whose Scrips / Certificates are still in use :

10.1 There are some Export Promotion Schemes that have expired and no longer in vogue, but imports against scrips issued to beneficiaries of these schemes are continuing and hence their monitoring becomes important:

(i) **Duty Free Credit Entitlement (DFCE) Scheme**: This scheme for status holders was announced on 31-3-2003 whereby the status holders having incremental growth of more than 25% in FOB value of exports subject to a minimum export turnover of Rs.25 crores, were entitled to duty credit at 10% of the incremental growth in exports. The duty credit scrip / the goods imported against it are governed by the Actual User condition. This scheme was replaced by the Target Plus Scheme on 1-9-2004. The Customs Notification Number was 53/2003-Cus. dated 01.04.2003.

(ii) **Target Plus Scheme (TPS**): This scheme was introduced for the Star Export Houses w.e.f. 1-9-2004 whereby the exporters were entitled to rewards in the form of duty free credit based on incremental export performance. Initially, the entitlement was 5% to 15% of the incremental growth in exports, but later w.e.f. 1-4-2005, it was reduced to 5%. The duty credit scrip/the goods imported against it are governed by the actual user condition and can be used for import of any inputs, capital goods including spares, office equipment, professional equipment and office furniture. The scheme ended on 1-4-2006. The Customs Notification Number was 32/2005-Cus. dated 08.04.2005.

(iii) **Duty Free Replenishment Certificate (DFRC) scheme**: This scheme permitted duty free import (exemption from only Basic Customs duty) of inputs which were used in the manufacture of export product on post-export basis as replenishment. The DFRC authorisations were issued with a minimum value addition of 25% and only in respect of export products covered under the SION notified by DGFT. The DFRC authorisation and /or material(s) imported against it are freely transferable. The scheme ended on 1-5-2006. The Customs Notifications Number were 90/2004-Cus. dated 10.09.2004 & 48/2000-Cus. dated 25.04.2000.

(iv). **Duty Entitlement Pass Book (DEPB) scheme**:

a. DEPB scheme which was in operation since 1-4-1997 has come to an end on 30.09.2011. This was an export promotion scheme that envisages grant of DEPB Credit Entitlement to an exporter at the time of export at an ad-valorem rate notified by DGFT, in relation to FOB value of the export product. The DGFT had notified DEPB rates for nearly 2700 export products, which are based on the computation of basic Customs duty suffered by the exporters on the inputs listed in the SION applicable to the export product. The crucial feature of the DEPB scheme was that all the inputs listed in the SION are deemed to have been imported and to have suffered Customs duties. The DEPB Scheme was operationalised vide Notification No.97/2009-Cus., dated 11-9-2009.

b. The normal validity period of a DEPB scrip is 12 months.

c. The DEPB scrip and/or the items imported against it are freely transferable. Import against DEPB scrips is allowed at the port specified in the DEPB which is the port from where exports have been made. Imports from a port other than the port of export are also allowed under Telegraphic Release Advice (TRA) facility as per the terms and conditions of the notification issued by Department of Revenue.

d. No Duty Drawback is allowed on exports made under DEPB scheme. However, in cases where CVD is paid in cash on imported inputs, or where indigenous duty paid inputs, not specified in SION, are used in the manufacture of export product, Brand Rate of Duty Drawback is admissible provided CENVAT credit in respect of such duty incidence is not availed. [Refer Circular No.39/2001-Cus., dated 6-7-2001]

11. Special provisions:

11.1 The following exports categories /sectors are ineligible for Duty Credit Scrip entitlement under VKGUY, FMS, FPS (including MLFPS) and Status Holders Incentive Scrip schemes:

(a) EOUs / EHTPs / BTPs who are availing direct tax benefits / exemption;

(b) Export of imported goods covered under Para 2.35 of FTP;

(c) Exports through transshipment, meaning thereby that exports originating in third country but transshipped through India;

(d) Deemed Exports;

(e) Exports made by SEZ units or SEZ products exported through DTA units; and

(f) Items, which are restricted or prohibited for export under Schedule-2 of Export Policy in ITC (HS).

11.2 For computation of Duty Credit Scrip Benefits, FOB Value of Exports (in free foreign exchange) shall include up to 12.5% Foreign Agency Commission.

11.3 Duty Credit Scrip and items imported against it are freely transferable. However, Duty Credit Scrip issued under DFCE scheme, TPS, SFIS and SHIS are not freely transferable.

11.4 Duty Credit Scrip may be used for import of inputs or goods including capital goods, provided same is freely importable and / or restricted under ITC (HS). However, import of items listed in Appendix 37B of HBPv1 is not permitted to be debited. Duty Credit Scrips can also be utilized for payment of duty against imports under EPCG scheme provided the item is importable against the scrip.

11.5 Additional customs duty/excise duty paid in cash or through debit under Duty Credit scrip can be adjusted as CENVAT Credit or Duty Drawback, except under SFIS.

11.6 Utilization of Duty Credit Scrip for imports from a port other than port of registration is allowed under Telegraphic Release Advice (TRA).

11.7 The benefit of only one Reward scheme can be claimed against a shipment. The exporter has to declare his intention to claim the benefit of the reward schemes, in case of duty free shipment, at the time of export.

11.8 Utilization of Duty Credit Scrip is permitted for payment of duty in case of import of capital goods under lease financing.

11.9 Transfer of export performance from one to another is not permitted. However, for VKGUY, FMS and FPS (including MLFPS), benefits can be claimed either by the supporting manufacturer (along with disclaimer from the company / firm who has realized the foreign exchange directly from overseas) or by the company / firm who has realized the foreign exchange directly from overseas.

11.10 Duty Credit Scrips can also be used / debited towards payment of Customs Duties in case of EO defaults under Authorizations issued under Chapters 4 and 5 of the Foreign Trade Policy. However, penalty / interest shall be required to be paid in cash.

12. Export Promotion Capital Goods (EPCG) scheme:

12.1 Under EPCG scheme, import of capital goods which are required for the manufacture of resultant export product specified in the EPCG Authorization is permitted at nil/ concessional rate of Customs duty. This Scheme enables upgradation of technology of the indigenous industry. For this purpose EPCG Authorizations are issued by RA (Regional Authority) of DGFT on the basis of nexus certificate issued by an independent chartered engineer.

12.2 At present the EPCG Authorization holder is permitted to import capital goods at 0% or 3% Customs duty. Under the 0% duty EPCG scheme the Authorization holder is required to undertake export obligation (EO) equivalent to 6 times of the duty saved amount on the capital goods imported within a period of 6 years reckoned from the date of issue of Authorization. Under the 3% duty EPCG scheme, the Authorization holder has to fulfill EO equivalent to 8 times of the duty saved amount on the capital goods imported in 8 years.

12.3 EO under the scheme is to be over and above the average level of exports achieved by the authorization holder in the preceding three licensing years for the same and similar products.

12.4 EPCG Authorizations are issued to manufacturer exporters and merchant exporter with or without supporting manufacturer, and service providers. EPCG scheme is also available to a service provider who is designated/certified as a Common Service Provider (CSP) by the DGFT or State Industrial Infrastructural Corporation in a Town of Export Excellence. EPCG authorization issued to a CSP gives details of the users and the quantum of EO which each user has to fulfill. The CSP as well as the specific users are under an obligation to fulfill the export obligation under the scheme.

12.5 The EPCG Authorization specifies the value/quantity of resultant export product to be exported against it. In the case of manufacturer/merchant/service exporters, such EO is required to be fulfilled by exporting goods manufactured or capable of being manufactured or services rendered by the use of capital goods imported under the scheme. Upto 50% of the EO may also be fulfilled by export of other goods manufactured or service(s) provided by the importer or his group company or managed hotel, which has the EPCG Authorization, subject to the condition that in such cases, additional EO imposed shall be over and above the average exports achieved by the importer or his group company or managed hotel in preceding three years for both the original and the substitute product(s)/service(s). In order to ensure fulfillment of specified EO as also to secure interest of revenue, the EPCG Authorization holder is required to file bond with or without bank guarantee with the Customs prior to commencement of import of capital goods. Bank guarantee equal to 100% of the differential duty in case of merchant exporters and 25% in case of manufacturer exporters is required to be submitted except in case of a few exempted categories.

[Refer Circulars No. 58/2004-Cus., dated 21-10-2004;
No.17/2009-Cus., date 25-5-2009; and No.32/2009-Cus., dated 25-11-2009,
Circular No. 06/2011-Customs dated 18.01.2011]

12.6 EPCG Authorization can also be obtained for annual requirement with a specific duty saved amount and corresponding EO. It indicates the export products through which EO shall be fulfilled.

12.7 Capital goods imported under EPCG scheme are subject to actual user condition and the goods imported cannot be transferred/sold till the fulfilment of EO. In order to ensure that the capital goods imported under EPCG scheme are utilized in the manufacture of resultant export product, after importation/clearance of capital goods from Customs, the Authorization holder is required to produce certificate from the jurisdictional Central Excise Authority or Chartered Engineer confirming installation of such capital goods in the declared premises. A period of 6 months is allowed for the purpose of installation of capital goods and commencement of production. This period may be extended by the Assistant/Deputy Commissioner of Customs.

12.8 The normal validity period of zero duty EPCG Authorization is 9 months and that of 3% EPCG Authorization is 24 months. RA concerned may revalidate authorization for six months at a time and maximum up to 12 months from the date of expiry of validity. In order to ensure proper account of fulfilment of EO, the EPCG Authorization holder is required to indicate the EPCG Authorization No./date on the body of the Shipping Bill/ invoice (in case of deemed exports). After fulfilment of specified EO, the Authorization holder submits relevant export documents along with EPCG Authorization to the DGFT authorities for the purpose of obtaining EO discharge certificate. After obtaining EO discharge certificate from DGFT, the Authorization holder produces the same before Customs for the purpose of obtaining redemption of bond/BG filed by him. In order to ensure that the Authorization holder maintains a specified level of EO throughout the EO period of 6/8 years, in addition to average EO, block wise EO is also specified.

12.9 The Licensing Authority or RA can grant extension of block-wise period for any block(s) or overall period of fulfilment of EO up to a period of two years on payment of composition fee equal to 2% of proportionate duty saved amount on unfulfilled EO for each year of extension. The RA grant further extension in the overall period of EO up to a period of further two years if the authorization holder pays 50% of differential duty on the unfulfilled portion of EO and agrees to fulfil other conditions as may be specified by the RA for this purpose. However, for zero duty EPCG scheme only one extension of two years in EO period shall be available subject to conditions mentioned above.

12.10 Exports in discharge of EO under the EPCG scheme are entitled to duty neutralisation schemes like Drawback, Advance Authorization, DFIA etc. as well as benefits of reward schemes such as FPS, FMS, VKGUY etc. in accordance with the terms and conditions of those scheme(s). However, benefits of TUFS and SHIS will not be available in the year in which the zero duty authorisation has been issued.

12.11 Since this scheme permits import of capital goods at nil/concessional Customs duties subject to conditions specified in the Customs notifications, monitoring of fulfilment of EO is essential, the Customs are directed to put in place a mechanism to effectively monitor all imports under the EPCG scheme and take action to recover the Customs duty in case of default. Further, they should maintain close liaison with the Regional Licensing Authority (RLA) of the DGFT. The Commissioners of Customs have also been advised to put in place an institutional mechanism whereby they meet the RLA at least once every quarter to pursue issues relating to EO fulfilment status so that the concerted action is taken against defaulters.

[Refer Notifications No.100/2009-Cus.; No.101/2009-Cus.; No.102/2009-Cus.; and No.103/2009-Cus., all dated 11-9-2009; Circular No.5/2010-Cus., dated 16-3-2010; and Instruction F. No.609/119/2010, dated 18-1-2011]

13. General provisions of Export Promotion Schemes:

13.1 Imports and exports under the Export Promotion schemes are restricted to limited ports, airports, ICDs and LCSs, as specified in the respective Customs duty exemption notifications. However, the Commissioners of Customs are empowered to permit export/import under these schemes from any other place which has not been notified, on case to case basis by making suitable arrangements at such places.

13.2 Facility of executing Common bond by Authorization Holders for specified export promotion schemes [Advance Authorization / Duty Free Import Authorization (DFIA) / Export Promotion Capital Goods (EPCG)] has been extended by Circular No.11(A)/ 2011-Cus. dated 25-2-2011.

13.3 Re-credit of duty credit scrips, in respect of re-export of goods imported using reward/DEPB scrips, which was earlier permitted when imported goods were found defective/unfit for use, has been extended to re-export for any other reason, subject to fulfilment of specified conditions w.e.f. 14.01.2011.

[Refer Circular No. 45/2011-Cus. , dated 13-10-2011]

13.4 Clearance of goods from Custom Bonded warehouses utilizing duty credit scrips of SFIS, VKGUY, FMS.FPS, SFIS has been allowed under the same procedure as prescribed for DEPB scrips.

[Refer Circular No. 50/2011-Cus., dated 9-11-2011]