

Government of India  
Department of Commerce  
Directorate General of Foreign Trade  
Udyog Bhawan, New Delhi - 110011

O.M. No. 18/64/AM-18/P-5

Dated the 9th January 2018

**OFFICE MEMORANDUM**

**Subject: - Import of second-hand Capital Goods under EPCG scheme.**

1. In terms of Para 2.31 of FTP 2015-20, import of second-hand capital goods are allowed freely on payment of applicable duties with few exceptions.
2. However, import of second-hand capital goods under EPCG scheme is not permitted under the Foreign Trade Policy 2015-20. It was allowed during the FTP 2004-09 and FTP 2009-14.
3. In view of the recommendation of the Committee of Secretaries (CoS), the import of second-hand capital goods under EPCG scheme was discontinued vide DGFT Notification No. 01 (RE-2013)/2009-14 dated 18.04.2013. However, import of second-hand machinery is permitted under EOU / EHTP/STP/BTP scheme of the FTP-2015-20.
4. The **Task Force** on ' **Employment and Exports**' set up by **Niti Ayog** in its first meeting, as part of Medium Term measures to boost exports and employment recommended import of second-hand CG under EPCG as below:

**"Permit duty free import of second-hand capital goods under EPCG**

The import of second-hand capital goods is not approved under the EPCG as per the FTP. However, the FTP permits Export Oriented Units (EOUs) and firms located in technology parks to import second-hand capital goods, without any age limit and duties. Textile firms, especially those using power looms or shuttle-less looms, often rely on used equipment.

The provision for importing second-hand capital goods should be harmonized and made applicable to all firms".

5. Further, there have been representations from the industry especially from MSME sector to Hon'ble Commerce and Industry Minister to consider allowing the second-hand capital goods under EPCG scheme in view of substantial saving in capital investment and that many of the machines are not produced indigenously.
6. In view of the recommendation of Task Force under Niiti Ayog and various other representations with DGFT, it is proposed to revisit the issue and examine the feasibility of allowing imports of second-hand capital goods under the EPCG scheme especially where the capital goods are not manufactured in India or there are domestic capital goods capacity constraints, with some restrictions like age of the machinery, allowing only for specific sectors, third party verifications etc. It may be initially considered for some sectors like textiles, leather, food processing etc. for second-hand machinery of not more than 5 years old with residual life of at least 10 years. **A negative list of such capital goods may be prepared by the Dept of Heavy Industries or DIPP which will not be allowed for import under EPCG scheme.**
7. All addressees are requested to offer their comments on the above mentioned issue/proposal at the earliest to enable DGFT to process the matter further.
8. This issues with approval of DGFT.



(Rajbir Sharma)

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