

No. CLE-HO/POL/DFIS/2016-17                                 March 20th, 2016

All Members of the Council.

Dear Member,

Sub: Implementation of Duty Free Import Scheme (DFIS) – Comprehensive guidelines - 2016-2017 – reg.

Members are kindly aware that the regulations governing implementation of DFIS were notified through Customs Notification (Tariff) No. 12/2012 dated 17th March 2012, as amended from time to time.

The Comprehensive DFIS Guidelines along with the details of the certification fee is enclosed herewith for member’s ready reference.

A.   Brief introduction on the DFIS scheme.

B.   3% DFIS for exporters of Leather Garments – list of eligible inputs/embellishments notified for import, eligibility conditions, operative guidelines including issue of Export Performance Certificate and Import Certificate and payment of service charges for availing DFIS.

C.   3% DFIS for manufacturer-exporters of Leather footwear or synthetic footwear and leather products – separate list of eligible inputs/embellishments for import for product segments namely Leather Goods, Footwear, Footwear Components, Leather Gloves and Saddlery & Harness items, eligibility conditions, operative guidelines including issue of Export Performance Certificate and Import Certificate and payment of service charges for availing DFIS.

D.  Application form for issue of Export Performance Certificate (EPC) for Leather Garments exporters enclosed at Annexure – I

E.   Application form for issue of Import Certificate (IC) for Leather Garments exporters enclosed at Annexure – II

F.  Specimen of Affidavit at Annexure - III to be submitted by exporters of Leather Garments for import of lining and interlining materials as per serial No. 259 of Customs Notification (Tariff) no. 12/2012 dated 17.3.2012, as amended from time to time.

G. Application form for issue of Export Performance Certificate (EPC) for Footwear/ Footwear Components/Leather Goods/ Leather Gloves and Saddlery & Harness segments enclosed at Annexure – IV.

H.  Application form for issue of Import Certificate (IC) Footwear/ Footwear Components/Leather Goods/ Leather Gloves and Saddlery & Harness segments enclosed at Annexure – V.

Members may please note all the above guidelines with regard to implementation of DFIS scheme during 2016-17.

1) Service charges:

The following "Service charges" will be applicable for issuance of Export Performance Certificates (EPCs) and Import Certificates (I/Cs) for the year 2016-17, as in last year.

One time payment option: The Service Charges for issuance of Export Performance Certificate (EPC) will be @ 0.04% of FOB value, subject to a minimum of Rs. 4,000/- for members opting one- time payment for issue of Export Performance Certificate. Service Tax will be levied at 14% and Swachh Bharat Cess 5%. The service charge may be rounded off in tens, for example if the service charge payment is Rs.4002/-, it may be rounded off to Rs.4010/- plus 14.5% Service Tax towards issue of Export Performance Certificate (decimals to be rounded off, for example if the service tax value is Rs.495.64, it may be rounded off to Rs.496/-).

Every time payment Option: The Service charges for issuance of Import Certificate (I/C) will be @ 2% of CIF value, subject to minimum charges of Rs.200/- payable per IC. Service Tax will be levied at 14% and Swachh Bharat Cess 5%. The service charge may be rounded off in tens, for example if the service charge payment is Rs.202/-, it may be rounded off to Rs.210/- plus 14.5% Service Tax towards issue of Import Certificate (decimals to be rounded off, for example if the service tax value is Rs.295.64, it may be rounded off to Rs.296/-).

However, as announced in Union-Budget 2016-17, Krishi Kalyan Cess of 0.5% may also be charged on service tax w.e.f. June 1, 2016. Accordingly the total service tax w.e.f. 1.6.2016 will be 15%.

Members may kindly note the procedures/guidelines mentioned in this Comprehensive Circular and accordingly avail the benefits of DFIS, with effect from April 1, 2016.

With regards,

*R Ramesh Kumar, IAS*

*Executive Director*

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(Sponsored by Ministry of Commerce & Industry, Government of India)

Duty Free Import Scheme (DFIS) - An Introduction

As there were no changes announced in the Union Budget 2016-17, the Duty Free Import Scheme will be implemented by the Council for the year 2016-17 as per the same regulations followed in the last year. The details are given hereunder for ready reference.

* Serial No. 282 of the Customs Notification (Tariff) No.12/2012 dt.17.03.2012 contains the list of certain inputs required in the manufacture of leather garments which can be imported by a manufacturer of leather garments or by a merchant exporter tied-up with supporting manufacturer of leather garments for use in the manufacture of leather garments for export by that manufacturer directly or through a merchant exporter, to an extent of 3% of FOB value of export realization made in the previous year, subject to fulfillment of condition No.24 specified in the aforesaid Customs Notification.
* Serial No. 259 of the aforesaid Customs Notification (Tariff) No.12/2012 dt.17.03.2012 mentions about the lining and inter lining materials which can be imported by manufacturers of leather garments or by a merchant exporter tied-up with supporting manufacturer of leather garments to an extent of 2% of FOB value of exports in the previous year, subject to fulfillment of condition No.24 of the aforesaid Customs Notification.
* Serial no. 283 of the Customs Notification (Tariff) No.12/2012 dt.17.03.2012 contains the list of certain inputs required in the manufacture of leather footwear or synthetic footwear or other leather products which can be imported by manufacturer-exporters of these items to an extent of 3% of FOB value of exports in the previous year, subject to fulfillment of condition No.27 of the aforesaid Customs Notification.

The Council for Leather Exports is issuing necessary certificates namely Export Performance Certificate (EPC) and Import Certificates (IC) to eligible members in terms of Sl.Nos.259 & 282 and 283 read with Condition No.24 & 27 respectively of the aforesaid Customs Notification (Tariff) No.12/2012 dated 17.03.2012 under the Duty Free Import Scheme.

The detailed operational guidelines of the DFIS scheme incorporating provisions contained in the Customs Notification (Tariff) No.12/2012 dated 17.03.2012 are given herewith.

**3% Duty Free Import Scheme (DFIS) for exporters of Leather Garments – Guidelines**

**1 List of inputs/embellishments notified for import**

In terms of serial no. 282 of Customs Notification (Tariff) No.12/2012 dt.17.3.2012read with condition no. 24, as amended from time to time, a manufacturer-exporter of leather garments or a merchant exporter tied-up with supporting manufacturer is permitted duty free import of certain essential / critical inputs and embellishments to an extent of 3% of FOB value of export realization effected in the previous year. However, the value of **lining and inter-lining materials** listed in serial no. 259 of the said Customs Notification (Tariff) No.12/2012 dt.17.3.2012imported shall not exceed **2 percent of the said FOB** value.

The list of notified inputs/embellishments are as under.

|  |  |  |
| --- | --- | --- |
| **Sl. No** | **Chapter or Heading or Sub-Heading** | **Description of goods** |
| 282 | 52 or any chapter | (a) Fasteners including buttons and snap fasteners, zip fasteners including zippers in roll, sliders/pullers and end stoppers;  (b)Inlay cards  (c) Shoulder pads;  (d) Buckles;  (e) Eyelets  (f) Hooks and eyes  (g) Rivets  (h) Collar stays, collar patties, butterfly and other garment stays including plastic stays  (i) Fusible and non Fusible embroidery motifs or prints  (j) Laces  (k) Badges including embroidered badges  (l) Embroidery threads  (m) Sewing thread  (n) Stones (other than precious and semi precious)  (o) Sequin  (p) Tape, Elastic tape and hook tape of width not exceeding 75 mm  (q) Velcro tape  (r) Cord and cord stopper  (s) Toggles  (t) Polywadding materials  (u)Stud;  (v) Elastic cloth and elastic band;  (w)Quilted wadding materials;  (x)Beads for embroidery  (y)sample fabric of total length upto 1000 metre imported during one financial year;  (z) printed bags  (za) Knitted ribs;  (zb) anti-theft devices like labels, tags and sensors.  “(zc) bobbin elastic;  (zd) textile flowers;  (ze) water soluble lining, poly pouch, high density sticker, heat transfer sticker;  (zf) anglets on draw strings-hooded jacket;  (zg) bra cup, bust cup, moulded cups for bra and metal underwire for bra;  (zh) hook and bar, extra button covers-plain, ribbons, waist bands, shooter pin, O Ring, thermo strips and metal clip;  (zi) pin bullets for packing, plastic tag bullets, metal tabs, bows, ring & slider and rings.” |
| **259** | 43, 52, 54, 55, 56, 58, 59 OR 60 | Lining and inter-lining materials |

**2 Condition No.24 applicable for Leather Garments exporters for import of inputs/embellishments notified at Sl. No.282 and 259**

“If (a) the goods are imported

(i) by a manufacturer of textile garments or leather garments; or

(ii) by a merchant exporter tied up with supporting manufacturer of textile garments or leather garments,

for use in the manufacture of textile garments or leather garments for export by that manufacturer directly or through a merchant exporter, as the case may be, and that the said manufacturer or merchant-exporter is registered with the Apparel Export Promotion Council or Council for Leather Exports, or as the case may be, Handloom Export Promotion Council: and

(aa) the entitlement certificate issued by respective export promotion councils shall carry the name of supporting manufacturers along with the name of the merchant- exporter in case the goods are exported by a merchant exporter.”;

(b) the total value of goods imported shall not exceed 3 percent of the FOB value of textile garments (other than handloom garments) or leather garments, as the case may be, or 5 percent of the FOB Value of handloom garments exported during the preceding financial year; however, the value of lining and inter-lining materials imported **shall not exceed 2 percent of the said FOB value.**

(c) the importer produces a certificate from the Apparel Export Promotion Council or Council for Leather Exports, as the case may be, or Handloom Export Promotion

Council, certifying the value of exports made during the financial year mentioned in clause (b) above, and also the value and quantity of goods already imported under this notification during the current financial year;

(d) the importer produces a certificate from Apparel Export Promotion Council or Council for Leather Exports, as the case may be, or Handloom Export Promotion Council, certifying that the lining and inter-lining materials shall not be put to any other use or sold in the market except in the manufacture of textile garments or leather garments; and

(e) there is a doubt as to the usability of lining and interlining materials in relation to the export product, the Commissioner of Customs, for reasons to be recorded in writing, orders drawal of sample at the time of export to verify such use;

**3 Operative Guidelines for implementing the 3% Duty Free Import Scheme (DFIS) for Leather Garment exporters**

**3.1 Eligibility**

Only those exporters who are registered as members with the “Council for Leather Exports” are eligible for availing the DFIS. The eligible exporters should have valid RCMC and they should be on the membership roll of the Council.

**3.2 Issuance of Export Performance Certificate (EPC)**

An application for obtaining Export Performance Certificate (EPC) for the preceding financial year i.e., (2015-16) shall be submitted to the Council in the prescribed format enclosed herewith **at Annexure - I**, along with required declarations prescribed therein.

The details to be furnished in the application shall pertain to the export bills realized during 2015-16 as evidenced by the Bank Realization Certificate given by the Bank.

Applicant-exporters are required to furnish correct and complete information certifying the realization of leather garment export proceeds by the banker, supported with Chartered Accountant’s verification. The EPC shall be issued only on the basis of export realization during the year 2015-16.

Such applications shall be submitted to the respective Regional Offices of the Council. In respect of members of Southern Region, such applications may be submitted to Head Office

The Council will process the applications and will issue the Export Performance Certificate, duly allotting specific Serial Number, wherein the duty free import entitlement @ 3% of FOB value of export realization will also be mentioned.

**3.3 Issuance of Import Certificates**

For each import clearance of the permitted inputs/embellishments under the DFIS, the exporters are required to follow the following procedure.

* At the time of import, the exporter will apply to the concerned office of the Council from where the EPC has been obtained. Such applications should be submitted in the format prescribed in [**Annexure-II**](http://www.leatherindia.org/policy_guide3_anx2.asp),

* The Council, upon receipt of the said application, will issue the Import Certificate (IC), which has to be produced before the Customs at the time of import clearance of consignments to facilitate duty free imports of permitted items under DFIS.
* The Council will issue the IC for the first consignment specifying the previous import as Nil.
* After obtaining the IC, the exporter should produce it before Customs to clear the consignment.

* The Customs will endorse on back of IC, the assessed value of the import consignment and return it back to the exporter.

* Such Original IC, duly endorsed by the Customs, should be submitted to the Council while applying for subsequent IC.
* In respect of lining & Inter-lining materials, the duty free entitlement will be restricted to 2% of the previous year’s FOB value of export realization. Whenever an application for issue of Import Certificate is submitted for importing lining & inter-lining materials falling under Sl. No.259 of Customs Notification (Tariff) No.12/2012, an Affidavit duly notarized have to be submitted along with application. The specimen of Affidavit is enclosed at [**Annexure-III**](http://www.leatherindia.org/policy_guide3_anx3.asp).

The member-exporters are required to follow the above procedure for each subsequent import consignment to avail DFIS.

The Council reserves the right to call for any other documents/ information that may be relevant for the purpose of issuing Export Performance Certificate and Import Certificates under the DFIS.

**3% Duty Free Import Scheme (DFIS) for manufacturer-exporters of Leather Footwear or Synthetic Footwear and Leather Products - Guidelines**

**1 List of inputs/embellishments notified for import**

In terms of Serial No. 283 read with condition No.27 of Customs Notification (Tariff) No.12/2012 dated 17.03.2012 as amended from time to time, manufacturer-exporters of leather footwear or synthetic footwear or other leather products, are permitted duty free import of the following essential / critical inputs and embellishments to an extent of 3% of previous year’s FOB value of export realization.

Accordingly, the Council is issuing specific Export Performance Certificates for product segments namely Footwear (including synthetic/non-leather footwear), Footwear Components, Leather Goods, Leather Gloves and Saddlery & Harness items. The lists of eligible inputs are given below.

* 1. **List of eligible inputs for “Footwear and Other Leather Products’**
* Buckles, “D” Rings and “O” Rings, eyelets, hooks and eyes, rivets, studs, decorative fittings and metal trimmings
* Buttons and snap fasteners, zip fasteners including zippers in roll, sliders and end stoppers
* Velcro Hook, Velcro tapes and Loop tape
* Elastic Tape, adhesive tape and reinforcement tape
* Stamping foil
* Sewing Thread
* Locks including magnetic locks
* Metal handles, handle fittings, handle holder, Metal Frames, dog hooks, logos all types, ring binders, key hooks, key rings, key holders, push clip, chains, Pullers , parts of pullers, hinges and magnetic snaps
* Loop rivets and loop oval
* Polishes, creams and shoe finishes in any form
* Lining, interlining and reinforcement materials
* Insoles or mid-soles and sheets therefore
* Shanks and welts
* Toe Caps and toe puffs and counters or Thermoplastic sheets
* Synthetic or polymeric foam
* Packaging boxes/ envelops/ pouches of all types
* Ribs
* Adhesives
* Leather board
* Nylon mesh
* Fittings, snaps of metals or alloys
* Beading material - synthetic / leather / fabric
* Chatons / stones / beads / crystals as decorative items
* Artificial fur and alarm tag
* Buckle
* Plastic clear sheets
* Inlay cards
* Synthetic material/synthetic leather
* Reflective tapes/ Fashion tapes
* Micropak labels and Polyethylene Sheets
  1. **List of eligible inputs only for “Footwear” & ”Footwear Components”**
* Heels
* Shoe laces
* Stretch fabric for shoe uppers
* Protective Steel Toe Cap and Steel Mid Sole
* Unit soles and sheets of Polyurethane, Thermoplastic rubber, Polyvinyl Chloride, Thermoplastic Polyurethane, Phylon, Nitrile Butadiene Rubber, Styrene Butadiene Rubber for soles including Polyurethane paint, colour paste and pigments;”
* Cork sheets for soles covering soles and insoles
  1. **List of eligible inputs only for “Leather Gloves”**
* Glove liners
  1. **List of eligible inputs only for “Saddlery and Harness items”**
* Metal fittings / embellishments, webbing of any material for making harness and saddlery items
* Stirrup of any material and stirrup bars used for making Saddle Tree
* Nylon polyester/PVE mesh and fabrics for making non-leather harness and saddlery items
* Saddle tree

**1.5 List of eligible inputs only for “Leather Goods”**

* Magnets for use in leather goods

1. **Condition No.27 applicable for import of items at to Sl. No.283 is reproduced below:**

“If   
(a) The goods are imported by a manufacturer of leather footwear or synthetic footwear or other leather products, for use in manufacture of said goods for export by that manufacturer and the said manufacturer is registered with the Council for Leather Exports;

(b) The total value of goods imported shall not exceed 3% of the FOB value of leather footwear or synthetic footwear or other leather products, exported during the preceding financial year;

(c) The importer produces a certificate from the Council for Leather Exports, certifying the value of exports made during the financial year mentioned in sub-condition (b), and also the value and quantity of goods already imported under this notification during the current financial year.”

**3 Operative Guidelines for implementing the 3% Duty Free Import Scheme (DFIS) for Footwear and Leather Products manufacturer-exporters.**

**3.1 Eligibility**  
  
Only those exporters who are registered as manufacturer-exporter of leather footwear or synthetic footwear or leather goods and accessories, gloves, harness & saddlery, with the “**Council for Leather Exports**” are eligible for availing the DFIS

The eligible exporters should have valid RCMC and they should be currently on the membership roll of the Council

**3.2 Issuance of Export Performance Certificate (EPC)**

An application for obtaining Export Performance Certificate (EPC) for the preceding financial year shall be submitted to the Council, along with required declarations prescribed therein as per **Annexure IV.** Such applications have to be submitted separately for each export product category.

The details to be furnished in the application shall pertain to the export bills realized for that export product, as evidenced by the Bank Realization Certificate given by the Bank.

Applicant-exporters are required to furnish correct and complete information certifying the realization of export proceeds by the banker, supported with Chartered Accountant’s verification. The EPC shall be issued only on the basis of export realization of that particular export product during the year 2015-16.

Such applications shall be submitted to the respective Regional Offices of the Council. In respect of members of Southern Region, such applications may be submitted to Head Office

The Council will process the applications and will issue the Export Performance Certificate, duly allotting specific Serial Number, also mentioning the duty free import entitlement @ 3% of FOB value of export realization.

**3.3 Issuance of Import Certificates**

For each import clearance of the permitted components under the DFIS, the exporters are required to follow the following procedure.

* At the time of import, the exporter will apply to the concerned office of the Council from where the EPC has been obtained. Such applications should be submitted in the format prescribed in **Annexure V.**

* The Council, upon receipt of the said application, will issue the Import Certificate (IC), which has to be produced before the Customs at the time of import clearance of consignments to facilitate duty free imports of permitted items under DFIS.
* The Council will issue the IC for the first consignment specifying the previous import as Nil.
* After obtaining the IC, the exporter should produce it before Customs to clear the consignment.
* The Customs will endorse on back of IC, the assessed value of the import consignment and return it back to the exporter.  Such Original IC, duly endorsed by the Customs, should be submitted to the Council while applying for subsequent IC.

The member-exporters are required to follow the above procedure for each subsequent import consignment to avail DFIS.

The Council reserves the right to call for any other documents/ information that may be relevant for the purpose of issuing Export Performance Certificate and import certificates under the DFIS.

**3.4 Payment of ‘Service Charges’ to the Council under DFIS with effect from 1st April 2016**

Applications should be accompanied by ‘service charges’ in the form of Demand Draft or Banker’s Pay Order in favour of **‘Council for Leather Exports’**. The service charges can be paid in anyone of the following options:

OPTION 1 – At the time of making application for issue of Export Performance Certificate: One time payment of an amount equivalent to 0.04% of previous year’s FOB value of export realization as certified by bank for each Certificate issued plus Service Tax of 14.5%.

*Note: The minimum service charge payable for issue of EPC is Rs.4000/- + 14.5% service tax = Total Rs.4580/-*

OPTION-2 – At the time of making application for issue of Import Certificate: Each time payment of an amount equivalent to 2% of the CIF value of import at the time of import plus Service Tax of 14.5%.

Note: The minimum service charge payable for this option is Rs.200/- + 14.5% service tax = Total Rs.229/- for issue of every IC.

**3.4 Payment of ‘Service Charges’ to Council for Leather Exports under DFIS with effect from 1st April 2016**

Applications should be accompanied by ‘service charges’ in the form of Demand Draft or Banker’s Pay Order in favour of ‘**Council for Leather Exports**’. The service charges can be paid in anyone of the following options:

**OPTION-1 -At the time of making application for issue of Export Performance Certificate:** One time payment of an amount equivalent to 0.04% of previous year’s FOB value of export realization as certified by bank for each Certificate issued, plus Service Tax of 14.5%.

Note: The minimum service charge payable for issue of EPC is Rs.4000/- + 14.5% service tax = Total Rs.4580/-

**OPTION-2 -At the time of making application for issue of Import Certificate:** Each time payment of an amount equivalent to 2% of the CIF value of import at the time of import plus Service Tax of 14.5%.

Note: The minimum service charge payable for this option is Rs.200/- + 14.5% service tax = Total Rs.229/- for issue of every IC.