



## **IMPACT OF UNION BUDGET ON GEMS AND JEWELLERY INDUSTRY**



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## **AGENDA**

**1. Central Excise Act**

**2. Income Tax Act**

**3. Customs Act**

**4. Notification No. 9/2012-Central Excise (N.T.)**

**5. Central Excise Registration**

**6. List of Items falling under the head 7113 of CET Act**

## CENTRAL EXCISE ACT

The Finance Minister, in his Budget Speech for 2012 – 13 has said the following:

### 1. EXCISE ON MANUFACTURE OF UNBRANDED JEWELLERY

“The House would recall that I had re-introduced a levy of excise duty of 1 per cent on branded precious metal jewellery in the last Budget.

As a measure of rationalisation, I propose to include jewellery, not bearing a brand name, under its ambit.

However, to simplify its operation and minimise its impact on small artisans and goldsmiths,

Impact: Bringing unbranded jewellery under the ambit of 1 per cent excise duty. "It creates a more level playing field between branded and unbranded jewellery."

**Proposal 1:** “To charge this duty on tariff value equal to 30 per cent of the transaction value;”

**Impact:** If suppose “Jeweller ABC” Sells the Goods at Rs.1,00,000 , then ABC will have to pay 1 % Excise Duty on Rs.30,000/- (i.e.1,00,000 X 30 %) which is equal to Rs. 300.

**To Sum up Excise Duty is Rs. 300 on Rs. 1,00,000 i.e. 0.3 %**

*[As Per Notification No. 9/2012-CE(NT) dated 17-3-2012 ( Attached Below Annexure 2)]*

“Excise duty is not payable on articles of jewellery manufactured from precious metal or old jewellery supplied by the retail customer”

*[The wording of notification is incorrect. The notification can be interpreted to mean that in case of such jewellery, excise duty is payable on full value including value of material supplied by customer.*

**Proposal 2:** “To extend small-scale exemption up to annual turnover not exceeding ` 1.5 crore for units having a turnover below ` 4 crore in the previous year; to compute turnover on the basis of tariff value;

**Impact:** If a manufacturer X clears goods of value 1.4 crore till 16th March 2012, and from 17th March to 31st March 2012 manufacturer X clears goods of transaction value 30 lacs, the total value of clearances for SSI exemption in financial year 2011-12 shall be calculated as follows:-

**EXAMPLE**

Value of clearances from 1st April 2011 to 16th March 2012=` 1.4 crore

Value of clearances from 17th March to 31st March 2012=` 9 lacs(30% of transaction value 30 lacs)

Total value of clearances financial year 2011-12=` 1.49 crore

**THEN NO EXCISE IS APPLICABLE FOR F.Y. 2011 – 12.**

**F.Y.2012-13**

If the Turnover in the **F.Y 2011-12** does not exceed **Rs.13.33 Cr** , then in **F.Y. 2012 – 13**, the Manufacturer is eligible to take SSI Exemption benefit till the turnover of Rs.5.0 Cr and Excise Duty will be payable over and above the turnover of Rs.5.0 Cr at effective **rate of 0.3%**

Eg: Turnover in the Financial Year 2011-12 is less than or equal to Rs.13.33 Cr (30% of which is 4 Cr of Turnover as per Tariff Value),then the Manufacturer can take SSI exemption benefit in F.Y. 2012-13

Suppose turnover in F.Y.2012-13 is Rs. 25 Cr, then Excise Duty will be calculated as below:

Till Turn over of Rs. 5 Cr - **No Excise Duty**

(30 % of 5Cr is 1.5 Cr.as per Tariff Value)

From 5.0 Cr to 25 Cr (i.e. on 20 Cr) **Excise Duty will be Rs. 6,00,000** (20 Cr. X 0.3%)

**F.Y.2013-14**

Turn Over in F.Y. 2012-13 is Rs.25cr

Manufacturer is not eligible for SSI Exemption of No Excise Duty on Turnover Till 5 Cr.

**Hence Excise Duty on all Transactions @ 0.3 %**

**Proposal 3:** To place the onus of registration and payment on the person who gets jewellery manufactured on job-work

**Impact:**

Rule 12AA of the Central Excise Rules has been amended to provide that every person who gets articles of jewellery of heading no.7113 produced or manufactured on job-work shall obtain registration, maintain accounts, pay duty leviable on such goods and comply with the procedural requirements, as if he is the manufacturer.

**All the Whole sellers and Retailers who get their Goods Manufactured from Artisans and Goldsmith and sell their products without a brand name have to get registered under Central Excise Act 1944**

**(Procedure to Register Provided in Annexure 1)**

**2.Exemption From Excise Duty to Branded Silver Jewellery**

Full exemption from excise duty is being provided to branded silver jewellery. It may also be noted that in respect of articles of precious metals, the levy would **continue to apply only to those articles that are manufactured or sold under a brand name.**

Full exemption from excise duty has been provided to gold coins of purity 99.5% and above and silver coins of purity 99.9% and above when manufactured from gold or silver on which the appropriate duty of customs or excise has been paid.

**3.Increase in Excise from 1.5% to 3 % for Refining of Gold and Silver**

Excise duty on refined gold manufactured starting from the stage of ore, concentrate or dore bars has been increased from 1.5% to 3%. The same rate has been prescribed for refined gold produced from the smelting of copper. Refined silver obtained from the smelting of copper shall henceforth attract excise duty of 4%.

**4. Sale of Gold Jewellery from EOUs to DTA**

If gold Jewellery is Sold from Export Oriented Unit to Domestic Tariff Area then Excise Duty is increased from 5 % to 10 %

**INCOME TAX ACT**

**1.Tax Collection at Source - Sec 206C (1D)**

**Proposal :**

Tax collection at source on purchase **in cash of bullion or Jewellery in excess of Rs. 2 lakh @ 1%**

**Impact:**

**Inserted Sec 206C (1D) – Applicable from 1<sup>st</sup> July,2012**

The Seller of bullion and Jewellery should should collect tax (TCS) at 1% of sales consideration if

- A) Sales is above Rs.2,00,000/-  
&  
B) Sales Consideration is received in Cash.**

Sec 206C (1D) would be applied in all cases whether the buyer is a:

- 1.Manufacturer,
- 2.Trader or
- 3.Purchase is for personal use.

**CUSTOMS ACT**

**1.Basic Customs Duty increased from 2% to 4%**

Increase on Basic Customs Duty on Standard Gold Bars, Gold Coin of Purity exceeding 99.5 % and Platinum from 2 % to 4 %

**2.Basic Customs Duty increased from 5% to 10%**

Increase on Basic Customs Duty on Non-Standard Gold from 5% to 10%.

**3.Basic Customs Duty increased from 1% to 2%**

Increase in Basic Customs Duty on Gold Ore, Concentrate and Dore Bars for Refining is being enhanced from 1% to 2%

**4.Basic Customs Duty of 2% on Coloured Gems Stone**

In Order to prevent round-tripping, Basic Customs Duty of 2% has been imposed on cut and polished Coloured Gem Stones which is at par with Basic Customs Duty of 2% on Diamonds.

**NOTIFICATION No. 9/2012 Central Excise**

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,  
SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
(DEPARTMENT OF REVENUE)

New Delhi, the 17<sup>th</sup> March, 2012

**Notification No. 9/2012-Central Excise (N.T.)**

G.S.R (E). –In exercise of the powers conferred by sub-section (2) of section 3 of the Central Excise Act, 1944 (1 of 1944), the Central Government, hereby fixes tariff value in respect of articles of jewellery (other than silver jewellery), **falling under sub-heading No. 7113 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986)**, at the **rate of 30% of the transaction value as declared in the invoice.**

**Provided that nothing contained in this notification shall apply to articles of jewellery manufactured from precious metal or old jewellery provided by the retail customer.**

**Explanation:** - For the purposes of this notification “transaction value” shall have the meaning assigned to it in section 4 of the Central Excise Act, 1944 (1 of 1944)].



## CENTRAL EXCISE REGISTRATIONS

### Procedures and Issues

#### Persons liable to register

In accordance with Rule 9 of Central Excise Rules, 2002, below mentioned persons are required to obtain excise registration:

- Every manufacturer of dutiable goods
- First and second stage dealers desiring to issue Cenvatable invoices
- Persons holding warehouses for storing non-duty paid goods

#### Procedure for Registration

*New registrants* are required to follow the below mentioned procedure:  
Log on [www.aces.gov.in](http://www.aces.gov.in) and register

*Note: Existing assesseees are required to get themselves registered with ACES merely by filing a declaration with range officer and thereby obtaining TPIN and password from the department*

#### Documents required for registration (self attested copies)

- PAN card copy of the company/firm
- PAN card copy of authorized signatory
- Ground plan of factory (*which should also provide description of boundaries of premises to be registered*)
- List of directors/partners
- Memorandum and Articles of Association/Partnership deed
- General power of attorney (in case application is signed by authorized agent)

*Apart from these, department may also require certain additional documents, some of which are mentioned hereunder:*

1. PAN card copy of directors/partners other than signatories

Address proofs of the factory premises like:

1. Copy of purchase agreement along with electricity bill, water bill etc., if factory is owned
  2. Copy of Leave and license agreement along with electricity bill, water bill etc., if factory is taken on lease
  3. 'No objection certificate' from the licensor and last paid rent receipt may also be required
- Residence proof of directors/partners
  - Registration Certificate under any other laws, if any

**ISSUES**

**Validity of Registration Certificate**

Once Registration Certificate is granted, it has a permanent status unless it is suspended or revoked by the appropriate authority in accordance with law or is surrendered by the person or company concerned.

*(Notification No. 35/2001 □ C.E. (N.T.), dated 26 □ 6 □ 2001).*

**Penalty for failure to get registered**

If the manufacturer or producer who is required to take registration fails to apply for registration, a penalty up to duty of contravening goods or Rs 10,000, whichever is higher, can be imposed and contravening goods can be confiscated. Moreover, imprisonment up to 7 years (minimum 6 months) can be imposed.

*(Rule 25 of Central Excise Rules, 2002 and Section 9 of The Central Excise Act, 1944)*

**Separation of premises by a public road**

When two premises of the same factory are segregated by public road, canal, railway line, single registration would suffice.

*(Notification 36/2001 □ C.E. (N.T.), dated 26 □ 6 □ 2001).*

**Registration of same premise with different assesses**

As per the decided case, **MANIBHADRA PROCESSORS Versus ADDITIONAL COMMISSIONER OF C. EX.**

**2005 (184) E.L.T. 13 (Bom.)**, One and same premise cannot be registered in name of two different persons. Person holding earlier registration certificate must surrender registration certificates in respect of that premises, then only new person can get registration in respect of that premises.

In a broad-spectrum it is necessary to prevent any body from walking away from registered premises without discharging duty liability. Therefore a registered person shall discharge all the liability before surrendering the Registration Certificate.

**CHAPTER 71**

*Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin*

List of Articles of jewellery (other than silver jewellery), **falling under sub-heading No. 7113 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986),**

**III.—JEWELLERY, GOLDSMITHS' AND SILVERSMITHS' WARES AND OTHER ARTICLES**

**7113 ARTICLES OF JEWELLERY AND PARTS THEREOF, OF PRECIOUS METAL OR OF METAL CLAD WITH PRECIOUS METAL**

- Of precious metal whether or not plated or clad with precious metal:

7113 11 -- Of silver, whether or not plated or clad with other precious metal:

7113 11 10 --- Jewellery with filigree work.

7113 11 20 --- Jewellery studded with gems.

7113 11 30 --- Other articles of Jewellery.

7113 11 90 --- Parts

7113 19 -- Of other precious metal, whether or not plated or clad with precious metal:

7113 19 10 --- Of gold, unstudded

7113 19 20 --- Of gold, set with pearls

7113 19 30 --- Of gold, set with diamonds

7113 19 40 --- Of gold, set with other precious and semi precious stones

7113 19 50 --- Of platinum, unstudded

7113 19 60 --- Parts.

7113 19 90 --- Other.

7113 20 00 - Of base metal clad with precious metal.