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**PRE BUDGET RECOMMENDATION**

**For the Gems & Jewellery Industry, 2016-17**

**To:**

**Shri. Arun Jaitley :- Hon'ble Minister of Finance  
Secretary, The Ministry of Commerce & Industry  
Secretary, Department of Industrial Policy & Promotion  
Chairman, Central Board of Excise & Customs  
Jt. Secretary, TRU Division, Ministry of Finance  
National Manufacturing Competitiveness Council**

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**By:**

**All India Gems and Jewellery Trade Federation**

**Date : 5 November 2015**

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It is most evident that that Government of India has shown exemplary keenness and pro-active attitude towards the creation of a dynamic and progressive business environment in India. It has been made possible due to remarkable policy initiatives and changes across sectors. Gems & Jewellery sector is also a beneficiary of various policy changes such as Abolishment of 80:20 rule, Restarting Gold loan, Gold Monetising scheme introduced by the Government of India. It was also a welcome policy change to abolish the Wealth Tax. The Sector is also set to benefit from various flagship programs of the Government of India such as 'Make in India' as it will give a boost to manufacturing in the Sector and enhance the quality of the manufacturing practices to bring it on par with the international standards. We are sure that these policy moves will serve to strengthen the Sector.

In the backdrop of these positive policy moves initiated by the Government of India in the previous budget, the Sector is expecting further pro-active policy measures to follow.

The All India Gems and Jewellery Trade Federation (GJF) is a responsive and responsible trade body representing the domestic gems & jewellery industry since 2005 and it represents jewellers, manufacturers, wholesalers, retailers, distributors, laboratories and allied services. We are pleased to submit the recommendations for the ensuing budget 2016-17. These recommendations, when transformed into policy, will serve to transform the Gems & Jewellery sector per se.

### **1. Bring down the duty on gold from 10% to 2%**

**JUSTIFICATION** : The hike of import duty on gold has built a parallel economy, leading to wide scale gold smuggling. It is also affecting domestic retail and manufacturing industry adversely. Bringing down duty to 2% would eliminate smuggling and the employment of any black money in this process. On the other hand, this will make unprofitable to smuggle at 2% duty rates.

## **2. Difference between import duty of raw material (gold & silver) and finished jewellery (gold & silver) to be maintained at minimum 10%**

JUSTIFICATION: Keeping in mind PM's vision to promote "Make In India" brand we have to protect our manufacturing industry. If the manufacturing of jewellery in India will be costlier after paying the import duty and premium, there will be a tendency to import finished jewellery directly from abroad. As a result, millions of people will be deprived of livelihood in the manufacturing industry.

## **3. Introduction of GST**

JUSTIFICATION: We recommend rationalization of VAT across all states and maintaining lowest rates in proposed GST also. Implement GST and maintain the proposed 1% special rate for gem and jewellery sector. This will help the hassle free growth of interstate and simpler business operation. It is particularly important because various states specialize in different kinds of services in terms of jewellery design, manufacturing and job work. Inter-state business operation should be rendered simpler with this provision.

## **4. FTA duties:**

The Government of India is signing FTA agreements where India is giving concessional duty rates. Indian EXPORTERS to those countries continue to levy high import duties. Bi-lateral understanding must be achieved to have level duties for importers and EXPORTERS of the two countries.

We urge the government not to pass negative comments in the press on this sector. These sectors bring great value. We as the Federation will help to bring in reforms closely working with the government. Our above recommendations will go a long way to help reduce the import bill specially our point above no 2 and 3.

**Some specific amendments on certain aspects as detailed hereunder.**

1. RBI rating norms clarity required, recognizing jewellery retail and manufacturing positively. For no real reason credit ratings are poor for gems and jewellery sector due to notices by RBI. Independent rating is healthier.

2. Subsidy for tech up-gradation. Interest and investment subsidy, like for textiles, list of machines to increase productivity efficiency quality of production.

3. Stock of gold should be considered as a security of equal nature as property etc.

4. Provide low cost funds for jewellery establishments at rates of sub 8 to 11% per annum from banks to bring higher profitability thereby increasing quality standards. This will move the sector to move from unorganized to organized quickly.

5. Government should recognize Domestic Gold Refining as an industry. Refineries established in domestic tariff area should be given a level playing field as compare to refiners established in excise free zone. Domestic refiners which are located in the middle of market (this reduces risk factor of transit which is cost effective and safer also ) who are giving better services to jewelers, should get lending at a reasonable rates just like the other core sector financing for them to sustain and survive in this competitive market.

In order to promote manufacturing in this sector and support 'Make in India' initiative of Government of India, jewellery manufacturing machines import duty should be 0%.

## **CAPITAL GAINS ON JEWELLERY**

### **6. Long term capital gain on sale of jewellery in lines with property**

**JUSTIFICATION:** It is extremely difficult to calculate the capital gains and its applicability. We recommend removing hardships to household management, exempting all capital gains on sale of jewellery so long as jewellery is purchased in exchange; similar to exemption available when sales proceeds is invested in residential premises. This will also help household to trade old jewellery and reduce fresh consumption as well and will contribute in reducing imports of gold.

### **7. Bank lending interest rate should be at par with international rates**

**JUSTIFICATION :**In order to promote the gem & jewellery industry and giving a boost to the manufacturing of jewellery, in sync with Hon'ble Prime Minister's vision with 'Make in India' brand, Govt. should reduce the lending interest rate towards this sector, which will help the industry to compete internationally and the rates should be at par with the international markets. Gold Loan also should be offered to domestic manufacturing industry at a competitive rate which will help them to compete in international market. Presently the financial institutions are charging interest arbitrarily putting lot of hardships to this sector and affecting the bottom line of the business.

### **8. Mandatory issue of forms for interstate transaction like job work:**

A view is prevailing that according to Scope of Section 6A of Central Sales Tax Act, (CST) 1956, is that F Forms are mandatory for only Interstate Transactions Between Agent and Principal i.e Goods sent for consignment and in Interstate Transaction Between Head office to Branch or visa versa.

But after the decision given by Hon.Allahabad High court in the case of M/s Ambica Steels Ltd. V/s State of Uttar Pradesh that even in case of Interstate Transaction like Jobwork F Forms are Mandatory. And after that even Supreme Court also has not given its clear view whether F forms are mandatory for Interstate Transaction like Jobwork or not.

In absence of clear and unambiguous provision about F-Forms, some states have already started asking For furnishing of Forms for Interstate Transactions like Jobwork also which makes it very much difficult for dealers to do their jobwork for other states as Jobwork does not fall within the purview of Turnover and hence Person doing only Jobwork not require by law to take Vat and CST Numbers and without CST Numbers he cannot issue F Forms.

Therefore it is now too much necessary to amend Section 6A of CST Act 1959 and make F-Forms Mandatory only for Interstate Transaction like Branch Transfers and Consignment.