

PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA

**CBEC CLARIFIES ON LEVY OF EXCISE DUTY ON PRECIOUS METAL
JEWELLERY**

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Press reports after the presentation of the budget on 16.03.2012 indicate that the full import of the provisions contained in the legislation related to the levy of excise duty of 1% on precious metal jewellery are not clear to the trade.

In the Budget for 2011-12, full exemption from Central Excise duty was withdrawn on 130 items which were being charged to State VAT in a bid to signal movement towards the Goods and Services Tax (GST). As part of this proposal, with effect from 1st March, 2011, Government levied an excise duty of 1% on precious metal jewellery – but only on goods manufactured or sold under a brand name. This rate was applicable if no Cenvat credit of duty paid on inputs or input services is taken. There have been disputes about the interpretation of the term “branded” jewellery as unlike other goods the brand name is not always affixed on the goods themselves.

In order to streamline the levy, the scope of the levy has been altered to include both branded and unbranded jewellery within its scope. However, several provisions have been incorporated to make the levy simple in its operation and keep small artisans and goldsmiths outside its purview. The important ones are as under:

- i)The duty is chargeable **on a tariff value equal to 30% of the “transaction value”** declared on the invoice and not on the full value of the transaction except where the retail customer provides the gold or old ornaments for remaking.
- ii)At the current prices of gold of approximately Rs.27,000 per 10 grams, the duty payable works out to a nominal amount of about Rs.84 per 10 grams.
- iii)Recognising the fact that most jewelers get jewellery manufactured on job-work from small artisans and goldsmiths, the responsibility of registering with Central Excise authorities and paying the duty has been assigned to the “principal” manufacturer who gets the goods manufactured. In other words, those artisans or goldsmiths who only manufacture jewellery for others on job-work need not obtain registration. Even if artisans and goldsmiths manufacture and sell jewellery themselves, the benefit of small-scale exemption is available. It has also been provided that for the purpose of this exemption, the aggregate value of clearances

would be computed on the basis of tariff value i.e. 30% of the transaction value.

iv) Small-scale exemption is available to any manufacturer whose annual turnover in the previous year did not exceed Rs. 4 crore. Full exemption from duty is available to such manufacturers for an annual turnover of Rs1.5 crore in the current year.

v) Taking an average price of gold to be Rs.27,000 per 10 grams, the exemption implies that those who manufactured upto 49 kgs of jewellery in the previous year would be exempt from duty for clearances of 18.5 kgs of gold this year. As a result, most of the small artisans and goldsmiths would remain exempt.

vi) Full exemption from excise duty has been provided to branded silver jewellery. This implies that silver jewellery, whether branded or unbranded is fully exempt from excise duty.

The trade has expressed apprehensions that the levy would result in “inspector raj’. It would be recalled that the Government has already prescribed a simple one-page return for all units manufacturing excisable goods under the 1% scheme. This is a quarterly return which can be filed electronically. Since gold jewellery is leviable to State VAT, these units are already maintaining records/ accounts for that purpose. No separate records have been prescribed under Central Excise law.

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