

Customs is subjective in nature, and has not changed much over the last few decades; this, even though exports from the sector have grown manifold, which is creating on-ground problems for exporters.

“To solve this problem and based on a review of trade practices and international norms, the Council would request the government to adopt Standard Operating Procedures (SOP) for appraising exports and imports, which contains

the tolerance range as per justified norms adapted by the trade during their regular business. Such SOP also contains Risk Management Parameters for evolving a Risk Management System for doing examination and appraising by Customs.”

The GJEPC said it was necessary to have a conducive banking environment in terms of relaxing credit norms for working capital requirements for exporters of gems

and jewellery. “We also urge the government to introduce interest subvention of 5% on export finance for the gem and jewellery sector.”

The GJEPC is quite hopeful that resolving above concerns would pave the way for Indian gem and jewellery exporters to take advantage of the optimistic scenario in the international markets and achieve the target of \$60 billion in exports for the gem and jewellery industry by 2022.

## GJEPC Welcomes 3% IGST Waiver

In a major relief, the Union Government has accepted the Gem & Jewellery Export Promotion Council’s (GJEPC’s) demand to grant exemption of Integrated Goods and Services Tax (IGST) on supply of gold by Nominated Agencies to exporters of articles of gold. The GST Council recently announced that gem and jewellery exporters will no longer have to pay 3% IGST to nominated agencies (banks) from January 1st, 2019.

Pramod Agrawal, chairman, GJEPC, said, “We commend this step undertaken by the government. On recommendations of the Council, the GST Council ruled that it was satisfied and it is necessary in public interest to exempt the intra-state supply of gold falling in heading 7108 of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975), when supplied by Nominated Agency under the scheme for ‘Export Against Supply by Nominated Agency’. We are also expecting a similar relief from the government to the exporters of articles of silver and platinum very soon.

“The upfront payment of IGST and import duty in the form of a bank guarantee had further led to the huge working capital blockage for various small and medium jewellery exporters, increased interest cost, and hassles of compliance to claim refund, thus consequently impacting

their business operations and global competitiveness.”

Post implementation of the GST regime and 3% IGST on gold, the industry had requested for the IGST exemption on supply of gold by Nominated Agencies to exporters. Thereafter, the Government of India vide Notification No. 77/2017-Customs dated 13.10.2017 had exempted specified banks and Public Sector Units (Nominated Agencies) from payment of IGST on import of gold but the same had not benefitted the jewellery exporters as they still had to bear the upfront payment of IGST/GST and the basic import duty to the tune of 10% on procurement of gold for the purpose of manufacture and export of jewellery.

### GJEPC is also pursuing key pending GST Issues

#### 1. With respect to the blockage of input tax credit (ITC) due to inverted duty rate structure.

Effective January 25th 2018, the GST rate on cut and polished diamonds and gemstones has been reduced from 3% to 0.25%, while GST rate of 5% (job work charges)/18% (others) applies on input services, leading to accumulation of ITC qua domestic supplies.

GJEPC’s Recommendation:

Single GST tax rate regime of 0.25% across the entire value chain for diamonds/coloured gemstones/ semi-precious gemstones.

#### 2. Exports made on consignment basis (including for foreign exhibitions, export promotion tours, etc.)

As the goods sent on consignment basis for the purpose of foreign exhibitions, export promotion tours is not a supply, GST should not be levied on goods exported for such purpose or when re-imported back.

GJEPC’s recommendation: Clarification to be issued to provide with regard to exemption for consignment import and export of gems and jewellery through exhibition/export promotion tours.

#### 3. Refund of accumulated tax credit on account of inverted duty structure on input for a certain period

Refund claims filed on account of inverted duty structure being denied, substantial amount has been accumulated which has led to the capital blockage of the diamond/coloured gemstone exporters.

GJEPC’s recommendation: Necessary instructions be issued to permit refund of accumulated ITC pertaining to stock of the stated products held as on the date of rate change.

In addition to the above issues, GJEPC has also taken up the issue pertaining to import of gold on consignment basis for manufacture and export of jewellery. ■