

GJEPC delegation meets Union Finance Minister seeking taxation policy reforms to enhance Ease of Business in Gems & Jewellery Sector

GJEPC urges Shri Jayant Sinha, Hon'ble Minister of State for Finance to consider Presumptive Tax regime for increase in tax collection

- *Reforms can help to grab opportunity of tapping market share of appx. USD 20 bn and create jobs of 1.56 mn by 2018-19*
- *Seeks tax neutral approach to make India a global diamond hub, create jobs, attract foreign investment and enhance exports*
- *Urges Govt. to introduce Special Turnover Tax regime to attract international companies to India and boost exports*
- *Asks Govt. to allow start of sale of Rough Diamonds at SNZ*
- *Inclusion of Gems and Jewellery under Interest Subvention Scheme and Merchandize Exports from India Scheme (MEIS)*
- *Rationalization of the import duty on gold dore bars*

New Delhi, 27th January 2016: A delegation comprising Praveenshankar Pandya, Chairman, GJEPC and other industry representatives met with Shri Arun Jaitley, Hon'ble Union Minister of Finance, Government of India to discuss some of the critical issues facing the gems and jewellery industry in India and suggest appropriate steps to solve them. Many of the issues raised during the discussions were related to the taxation policy of the government, with the Chairman suggesting reforms that would enhance the ease of doing business for the industry. He also called on the Finance Minister to take measures that create certainty regarding tax provisions and reduce the quantum of tax-related litigation. The Hon'ble Minister heard the views of the industry and assured them that the government will look into the same.

The delegation requested for the introduction of Special Turnover Tax regime for the diamond industry with 0.75% tax on sales turnover (computing net income as 2.5% of the turnover, available till 6% of income). This would be along the lines of the tax regimes prevalent in other diamond trading nations like Belgium and Israel. Such an approach would be tax neutral and encourage companies in Belgium and Dubai, especially those run by NRIs to shift their manufacturing to India, which is currently taking place in China.

Mr. Praveenshankar Pandya, Chairman, GJEPC, said, "To realise the Make in India dream of the Prime Minister and 'Make India' an International Diamond Trading Hub, we seek implementation of Presumptive Taxation regime for the Indian diamond sector. By attracting International Manufacturing business to India (diamantaries from Belgium, Israel and Dubai), we can tap additional market share of approximately around USD 20 bn (in FY 2018-19) thereby helping the Government garner more tax collection in the long run. This will also help create jobs for 1.56 mn Indians (by 2018-19) in the gems & jewellery sector while preserving skill and talent of our labour force. This will help in tackling trade deficit and current account deficit through higher exports."

GJEPC Chairman and delegation had earlier met Shri Jayant Sinha, Hon'ble Minister of State for Finance on January 4, 2016, at his office to discuss the issue of introduction of *Presumptive Taxation* for Diamond Industry. Shri Sinha advised the Industry to present more ideas to increase the tax collection of the industry and facilitating the objective of Make in India Scheme. Chairman and other delegates of the Council highlighted the fact of presence of presumptive taxation system in international diamond trading centres like Antwerp, Israel and how they have attracted margin share. GJEPC delegation pointed out that valuation of diamonds is a big issue. Delegates also brought the issue of transfer pricing. Minister stressed on the fact of maintaining transparency in the total tax being paid by the diamantaires in the country. Minister desired that the Officials of GJEPC,

Department of Revenue along with the concerned officials of Belgium and Israel Government may hold a meeting to discuss the prevailing Presumptive Taxation System in Belgium and Israel & their methodology of assessing & collecting tax so that the same atmosphere may be extended to Indian diamantaires by Government of India to make India at par with other international diamond trading centres.

GJEPC Chairman also urged the government to permit the *Sale of Rough Diamonds at the SNZ in Mumbai* by implementing a 0.25% tax on sales turnover achieved at SNZ by foreign mining companies. This, he pointed out, would generate a new area of tax collection by shifting such sales from Belgium, Israel and Dubai.

The Finance Minister was also appraised of harassment faced by the industry in the form of different litigations related to: Penalty for Record Keeping for Transfer Pricing; Imposition of both Custom duty and Service Tax on same goods; Non-refund of service tax paid on way of exports. Trade pointed out the issue of harassment through different litigations on service tax non-refund and transfer pricing, wherein the assessment has taken place in a defined manner for over 10 years . There has been a sudden demand for a new record system by appropriate authorities, in the absence of which substantial taxes are being levied on the Exporters. Such arbitrary action deters overseas manufacturers to set shop in India .

This breeds uncertainty on tax laws of the country, increased litigation and ultimately less of ease of doing business in the country. This in turn allows competing countries for increased FDIs whereas we languish, pointed out the GJEPC delegation.

GJEPC Chairman pointed out that uncertainty regarding tax laws in the country led to increased litigation and ultimately reduced ease of doing business here. As a result, FDI flows to other competing countries, he said. The Chairman also urged the government to include the gems and jewellery segment under the Interest Subvention Scheme and Merchandise Exports from India Scheme (MEIS). He said that the gold jewellery sector had huge potential, and suggested that jewellers should be involved under the government's Gold Monetisation Scheme. He also said that the current 2% difference between import duty on gold dore bars and gold bars was too high and suggested it should be brought down to 0.25%.

About GJEPC

The Gem & Jewellery Export Promotion Council (GJEPC) was set up by the Ministry of Commerce and industry, Government of India (GoI) in 1966. It was one of several Export Promotion Councils (EPCs) launched by the Indian Government, to boost the country's export thrust, when India's post-Independence economy began making forays in the international markets. Since 1998, the GJEPC has been granted autonomous status. The GJEPC is the apex body of the gems & jewellery industry and today it represents over 6,000 exporters in the sector. With headquarters in Mumbai, the GJEPC has Regional Offices in New Delhi, Kolkata, Chennai, Surat and Jaipur, all of which are major centres for the industry. It thus has a wide reach and is able to have a closer interaction with members to serve them in a direct and more meaningful manner. Over the past decades, the GJEPC has emerged as one of the most active EPCs, and has continuously strived to both expand its reach and depth in its promotional activities as well as widen and increase services to its members.