

## **For immediate release**

### **GJEPC meets with Finance Ministry to urge for Diamond Trade Facilitation in India**

**Surat, 9<sup>th</sup> Oct, 2014:** A delegation under the leadership of Shri Vipul Shah, Chairman GJEPC met Shri Saurabhbhai Patel, Hon. Minister of Finance, Government of Gujarat to represent the Diamond trade issue on 8th October, 2014. The delegation consisted of Shri Chandrakant Sanghavi, Regional Chairman, Gujarat , Shri Ajesh Mehta, Co-Convenor, Diamond Panel Committee of GJEPC, Shri Aagam Sanghavi, Chairman, IDI, Shri Sabyasachi Ray, Executive Director, GJEPC Smt. Jilpa Sheth, Asst. Director, GJEPC and Shri Pranay Narvekar, Pharos Beam Consultants

Shri Vipul Shah informed the minister that to turn India into a trading hub of rough diamonds and mitigate the income tax assessment issues faced by the industry it is essential that India promulgate turnover taxation regime coupled with consignment import of rough diamonds as it is prevalent in countries like Belgium and Israel. He mentioned that the introduction of Presumptive Taxation System will simplify the tax computing mechanism and avoid litigations resulting in collection of higher quantum of income tax. Shri Ray referred to the recommendation made on this respect by the Sivaraman Committee based on which the Govt. had introduced a benign taxation system with an impractical net profit rate because of which it was not successful. He emphasised that the introduction of Turnover based taxation system would help in attracting the foreign diamond mining companies to trade the rough diamonds in India and make it the Diamond Trading Hub. Members requested for introduction of Turnover Tax with net profit calculated for computation of prevalent income tax @ 2% of turnover for trading activity and 3% of turnover for manufacturing activity.

Shri Chandrakant Sanghavi mentioned that coupled with that the consignment import of rough diamonds in diamond bourses in India should be introduced. Though the Foreign Trade Policy allows the same but due to the absence of Custom Notification, free import and sale of rough diamond on consignment basis is not possible in India due to which the diamond manufacturers of Gujarat have to travel to Dubai , Belgium or Israel to purchase raw material and which incurs huge extra costs. Members urged Saurabhbhai for declaring designated areas in the diamond bourses as special notified

zone where import and trading of rough diamonds will be allowed thus helping the mining companies to bring their rough supplies directly for trading in India.

Shri Ajesh Mehta raised his concern with respect to availability of finance to the industry from banks as ECGC is unable to guarantee the export credit extended to the industry by the PSU banks based on such internal directives. Due to that PSU banks have started asking for extra collaterals for additional lines which will be highly detrimental for growth of exports from the sector. ECGC in turn is constrained by their sectorial limits and capital ratios. Shri Vipul Shah mentioned that the Industry is caught between bank's unwillingness to extend credit without ECGC guarantee and ECGC's unwillingness to extend limits of the existing guarantees and requested to take up with the central Government for their intervention on the matter to break the deadlock in the interest of manufacturers of diamonds from Gujarat.

Shri Aagam Sanghavi apprised the Minister of receipt of summons and showcauses by trade members for payment of import duties and service tax by DRI as well as DGCEI for import of diamond planning and mapping machines from Israel. The issue at stake is taxability of the software that has been downloaded for such machines. The Customs authorities have alleged that the price of such software paid by members should be part of the assessable value for computation of import duty for such machines which were not paid. On the other hand central excise/service tax officers are of the view that the provision of software is an independent service and hence service tax has to be paid on such downloading of software. As the demand from Service Tax authorities had been raised earlier most of the members have laid the service tax and now is feeling harassed on receipt of notices, summons and showcauses notice for same imports for which service tax has already been paid. Members sought support of the State Government to seek clarification from the central Govt. in the larger interest of the diamond manufacturers of the state.

Hon. Minister discussed the issues in detail and assured to support the trade to take up issues with the central Government especially Smt. Nirmala Sitaraman, Hon. Minister of State for Commerce & Industry, Govt. of India.

### **About The Gem & Jewellery Export Promotion Council India (GJEPC India)**

Set-up in 1966, the GJEPC has over the years effectively moulded the scattered efforts of individual exporters to make the gem and jewellery sector a powerful engine driving India's export-led growth. This apex body of the gem & jewellery industry has played a significant role in the evolution of the Indian gem and jewellery industry to its present stature. GJEPC is continuously working towards creating a pool of artisans and designers trained to international standards so as to consolidate the Indian jewellery industry and establish it as a prominent global player in the jewellery segment.

With strength of 5200 members spread all over the country, the Council is primarily involved in introducing the Indian gem & jewellery products to the international market and promotes their exports. To achieve this, the Council provides market information to its members regarding foreign trade inquiries, trade and tariff regulations, rates of import duties, and information about jewellery fairs and exhibitions.

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