



Gem and Jewellery Exports industry an example of *Aatmanirbhar Bharat and Vocal for Local*

The Gem and Jewellery Export Promotion Council (GJEPC) proposes several measures like reduction in cut and polished diamonds to 2.5%, reduction in import duty of gold and other precious metals to 4%, Technology Upgradation Fund (TUF) Scheme for G&J industry; need for additional Common Facility Centres (CFCs) and many more to strengthen the gems and jewellery export sector

The measures are part of GJEPC's recommendations for FY 22 Union Budget to the Ministry of Finance

- Reduction in import duty on Cut and Polished Diamonds from 7.5% to 2.5%
- Reduction in import duty on Precious metals Gold/Silver/Platinum from 12.5% to 4%
- Reduction of import duty on cut and polished precious and semi-precious gemstones from 7.5% to 2.5%
- Removal of Basic Custom Duty of 0.50% on rough colour gemstones
- Amendment in taxation provisions to allow sale of rough diamonds in the Special Notified Zone in Mumbai
- Extension of the existing Scheme for Common Facility Centres for 5 years
- Technology Upgradation Fund (TUF) Scheme for G&J industry
- Fixation of Minimum import price and Hike in Import Duty on Imitation Jewellery
- Introduction of "Rates & Taxes Refund" Mechanism through EDI system similar to GST refund
- Increase in import duty on cut & polished [worked] Cubic Zirconia from 5% to 15% and Zero for rough Cubic Zirconia from 0.50% to curb import of finished products
- Hike in Import Duty on Synthetic Cut & Polished Stones from 5% to 25%
- Amendment/ clarification on online Equalisation Levy

Mumbai, December 7, 2020: The Gem and Jewellery Export Promotion Council (GJEPC), the apex body for promotion of gems and jewellery exports has proposed several measures as part of recommendations to the Ministry of Finance for the upcoming Union Budget for the fiscal year 2021-22. The officials of GJEPC have met the Finance Minister and made their representations recently.

Some of the major aspects of budget representation are duty cuts which are primarily for gold import, cut and polished diamonds, reduction of import duty on precious and semi-precious gemstones etc. The demand from GJEPC includes import duty reduction on cut and polished diamonds from existing 7.5% to proposed 2.5%; also the import duty on cut and polished precious and semi-precious gemstones from 7.5% to 2.5%. Also the Gold and other precious metals import duty has been proposed to reduce from existing 12.5% to proposed 4%. Apart from the reduction in duties, GJEPC has proposed many other recommendations to make India, world's largest gems and jewellery exports and a trading hub.

Commenting at the announcement of recommendations for the Union Budget for the fiscal FY 2021-22, **Colin Shah, Chairman, Gem and Jewellery Export Promotion Council (GJEPC)**, said, "This year has been tough for everyone and we sincerely acknowledge the Government for taking prompt measures to get the economic momentum back on track. Particularly for the gems and jewellery industry, the Government has ensured that barring the lockdown period, exports didn't stop during the pandemic. The gems and jewellery exports industry is a perfect example of Atmanirbhar Bharat and Vocal for Local, which are the government's policy to make India a self-reliant country and to make the Indian economy one of the largest in the world."

"A 100% import based sector, Gems & Jewellery employs 4.3 million people, contributes 7% to India's GDP and is a predominant leader in cutting & polishing of diamonds. To make the industry competitive and achieve Global leadership position we are hopeful that the Government will accept our proposed recommendations in the Union Budget", added **Chairman Colin Shah**

Vipul Shah, Vice Chairman, GJEPC, said, "India is the 5th largest exporter of gems and jewellery, contributing 5.8% of the global gems and jewellery exports demand of US\$629.06 billion. The world over, India has been perceived as a potential global leader in jewellery exports due to the sheer talent pool and expertise the country has developed through decades of hard work. The industry requires constant Government support for ensuring the sustainable development of the industry and generating additional employment. I appeal to the Government to provide favourable export and domestic policies to elevate the gems and jewellery exports sector to the next level."

The Budget recommendations from GJEPC for the Union Budget for the fiscal year 2021-22 are as follows:

- **Reduction in import duty on Cut and Polished Diamonds from 7.5% to 2.5%**

With an objective to reduce the Current Account Deficit and inflating imports of cut and polished diamonds in the country, the Government of India had increased the import duty on polished diamonds from 2.5 % to 5% in February 2018 and to 7.5% in September 2018.

The Council proposes that exporters be allowed to import 10% of the total CPDs exported by volume (carats) at nil duty.

- **Reduction in import duty on Precious metals Gold/Silver/Platinum from 12.5% to 4%**

Multiple increase in import duty on precious metal gold had resulted in gold coming in from countries such as South Korea and Malaysia, with whom India has signed Free Trade Agreements (FTAs), thus increasing the price arbitrage in the domestic markets.

The resultant gap in the price of official gold imported through the banking channel and unofficial imports is hurting manufacturers/retailers/bullion importing agencies/refiners and many others involved in the tax compliant business systems.

The high import duty is indirectly creating a disincentive to the organized players in the industry.

A lower Basic Customs Duty (BCD) on gold should help make the unofficial route for gold imports unattractive.

- **Reduction of import duty on cut and polished precious and semi-precious gemstones from 7.5% to 2.5%**

Imports of worked Coloured Gemstone in DTA in terms of value is reduced from Rs.600.64 crore in 2017-2018 to Rs.310 crore indicating reduced processing work on the worked coloured gemstones worth Rs.290 crore.

Retaining the 2 lakh workforce employed in the coloured gemstones and related jewellery industry prior to the COVID pandemic.

To create additional employment for 30,000 workforce in the jewellery manufacturing sector within a period of two years.

Combined exports of both coloured gemstones and related jewellery is estimated to increase by US\$200 million within a period of two years.

- **Removal of Basic Custom Duty of 0.50% on rough colour gemstones**

Basic Customs Duty is only 0.5% but the yield on conversion of Rough Gemstones into cut & polished gemstones (finished goods) is between 8% and 10%. Hence effect of this duty on finished goods is 5% which means our cut & polished gemstones shall become costlier by 5%.

Due to levy of BCD @ 0.5%, there is delay in clearance of import shipments of rough gemstones.

- **Amendment in taxation provisions to allow sale of rough diamonds in Special Notified Zone in Mumbai**

If sales are permitted, at least 20% of the rough diamond trading will be shifted to SNZ and the Indian Government will be able to collect additional tax of US\$3.48 million (equivalent to Rs. 23.20 crore).

Currently only viewing rough diamonds is permitted in SNZ and no sale is allowed. Till date, 11 million carats of rough approximately valued at US\$ 1.97 billion have been sent to Mumbai SNZ on consignment/viewing basis and after bidding/tender, diamonds are shipped back to destinations like Antwerp, Dubai to be invoiced to the winner of the bids.

Carat Tax has been made applicable from fiscal year 2016 (tax year 2017). The regime is compulsory for diamond-trading companies that are registered in Belgium, but its scope is restricted to the turnover generated by genuine diamond trade. Turnover generated by other activities, such as services provided, are taxed separately as they are not in the scope of the Carat Tax.

- **Extension of the existing Scheme for Common Facility Centre for 5 years**

The GJEPC with funding from MoC&I and support from Local Trade Associations (LTA) have set up 4 CFCs in Phase - I in Gujarat for Diamond industry.

Will be setting up 6 additional CFCs under Phase - II focusing on Jewellery sector, of which 4 will be ready to start operations by February 2021.

The CFC scheme as observed for Phase - I centres, have helped to bring transformational change in the clusters by helping the SMEs, in enabling them to process the goods at door steps, safe dealings of goods, reducing the mfg. cost, completing 100% process without depending upon the principal manufacturers, employment generation, quality improvement, etc.

Based on such experience, we are confident that the scheme will act as a catalyst for transformation of the clusters covered under Phase - II.

Looking at the success of the CFCs set up and gaining of self-sufficiency of the LTAs in running such centres, the CFC Scheme is becoming more and more popular amongst the trade PAN India. Various associations have approached the GJEPC for setting up CFCs at their cluster.

Keeping in view the new requirements and to complete the work of centres covered in Phase - II, MoC&I is requested to extend the scheme tenure till FY

2025-26 to enable GJEPC cover approximately 30-40 clusters under the scheme.

Identification of such clusters will be based on the study done by NCAER and found feasible though proper study as per the procedure stated in the scheme document. The budget allocation of approximately Rs. 120-160 crores may be made under the scheme based on Rs 4 crores approximately to be the cost of each CFC.

- **Mega CFC for Atmanirbhar Bharat, will make gems and jewellery sector self-reliant**

The Mega CFC supports the 'Make in India' and "Atmanirbhar Bharat" initiative of the Government of India.

The Mega CFC will make the Gem and Jewellery industry self-sustainable in terms of technology and provide best possible support to make India the global thought leader in the field of innovations and ideas for the gem & jewellery sector.

- **Technology Upgradation Fund (TUF) Scheme for G&J industry**

Technology gap is one of the major challenges of the gem and jewellery sector, in order to infuse advance technology so as to enhance productivity, reduce cost, improve quality and spur innovations and also to face global competition the GJEPC proposes Technology Upgradation Fund Scheme;

- 5% Interest Subsidy
- Deferred Payment Guarantee Scheme
- 30% Capital Subsidy Scheme
- Incubation Centres

Expected No. of units that would benefit out of the TUF scheme 1000 in 2 Years. And expected cost involved will be Rs.224 crore.

- **Fixation of Minimum import price and Hike in Import Duty on Imitation Jewellery**

The demand for imitation jewellery would certainly see a rise in the present times of COVID

- Recommending following corrective actions
 - fixation of minimum value for import purpose
 - increasing the import duty on imitation jewellery under HSN 7117
 - ban on import of imitation jewellery containing hazardous material like lead, nickel, cadmium etc in excess of quantities prescribed under internationally accepted laws in this regard like US Government's Proposition 65 as the significant exposure to

these compounds/ chemicals may cause cancer, birth defects and other reproductive harm. It is important to note here that most of the countries restrict import of any product breaching the limits prescribed for hazardous materials.

- **Proposing Introduction of “Rates & Taxes Refund” Mechanism through EDI system similar to GST refund. Also, the rate of refund should be aligned with the Rates & Taxes (i.e. Import Duty) prevailing as on the day of export. Refund of both the GST as well as Rates & Taxes (i.e. Import Duty) should be permitted**
- **Increase in import duty on cut & polished [worked] Cubic Zirconia from 5% to 15% and Zero for rough cubic zirconia from 0.50% to curb import of finished products**

Increasing usage of synthetic stones in Jewellery has created demand for it, for which our industry is mostly dependent on imports due to the fact that our production is insufficient, and we do not produce calibrated quality stones.

Hence, import duty on cut & polished [worked] Cubic Zirconia may be increased from 5% to 15% and Zero for rough cubic zirconia from 0.50% to curb import of finished products.

- **Hike in Import Duty on Synthetic Cut & Polished Stones from 5% to 25%**
Hike in import duty on finished synthetic stones would provide level playing field to our local manufacturing and help in import substitution
- **An appropriate amendment/ clarification on online Equalisation Levy is requested to ensure that the diamond sector is not burdened with the EL**

About The Gem and Jewellery Export Promotion Council (GJEPC)

The Gem & Jewellery Export Promotion Council (GJEPC), set up by the Ministry of Commerce, Government of India (GoI) in 1966, is 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 gems & jewellery industry and today represents 7000 exporters in the sector. With headquarters in Mumbai, 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, 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.

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