Goods and Services Tax (GST)

- **Impact on Jewellery Sector**

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Rate of GST

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Sl. No.	Description of Goods/ Tariff item	Taxes under erstwhile indirect tax law	Rate of tax under GST law
1	Pearls; Gold; Silver; Articles of jewelry of gold, silver, etc. (Items falling under Chapter 71 of Central Excise Tariff Act, 1985) Bullion and specie as per Second Schedule of KVAT Act, 2003	Excise Duty- 12.5% or 1% And Karnataka VAT at 1%	3%

Rate of GST

- With the advent of GST under the current indirect taxation system, there shall be-

- No levy of CST for inter state sale of goods under Central Sales Tax Act, 1956
- No Excise duty
- No state VAT
- One market on all India basis

Instead only one tax i.e **Goods and Services Tax**

- Availability of seamless Input Tax Credit (ITC) on purchase of goods and services; like ITC now available under GST on rent paid for business premises etc.,

- ITC eligible for IGST paid on inter state supply.

Classification under GST

- As per the *Notification No. 1/2017- Central Tax (Rate) dated June 28, 2017* effective from July 1, 2017

Taxable at 3% (CGST+SGST)

Description of Goods	Chapter Heading/Sub –Heading/ Tariff item
1. Pearls; natural or cultured	7101;
2. Diamonds; whether or not worked	7102;
3. Precious stones; (other than diamonds)	7103;
4. Synthetic or reconstructed precious or semi-precious stones;	7104;
5. Dust or powder of precious/ semi precious stones;	7105;
6. Silver (including silver plated with gold or platinum)	7106;
7. Base metals clad with silver, not further worked than semi-manufactured;	7107;

Classification under GST

Taxable at 3% (CGST+SGST)

Description of Goods	Chapter Heading/Sub –Heading/ Tariff item
8. Gold (including gold plated with platinum);	7108
9. Base metals or silver, clad with gold	7109
10. Platinum	7110
11. Base metals, silver or gold	7111
12. Waste and scrap of precious metal	7112
13. Articles of jewellery and parts thereof, of precious metal	7113
14. Articles of goldsmiths' or silversmiths' wares and parts thereof	7114
15. Other articles of precious metal	7115
16. Articles of natural or cultured pearls, precious or semi-precious stones	7116
17. Imitation jewellery	7117
18. Coin	7118

Classification under GST

Taxable at 0.25% (CGST+SGST)

Description of Goods	Chapter Heading/Sub –Heading/ Tariff item
1. Diamonds, non-industrial unworked or simply sawn, cleaved or bruted;	710231
2. Precious stones (other than diamonds) and semi-precious stones, unworked or simply sawn or roughly shaped	710310
3. Synthetic or reconstructed precious or semi-precious stones, unworked or simply sawn or roughly shaped	710420

Case Study

Case Study-1

- Mr Sharma a resident of **Delhi** during his visit to **Bengaluru** walks into a Registered Jeweler and buys gold jewellery worth Rs. 1,00,000.

The Jeweler charges him for-

- Value of gold;
- Making charges; and
- Wastage charges

Taxability under GST-

Whether Single Supply??

Whether Intra State Supply or Inter State Supply??

Case Study-2

- A Customer *gives Gold in bullion form to a Registered Jeweler* for making jewels. The registered Jeweler processes the gold and gives jewellery to the customer.

The Jeweler charges him for-

- Making charges;
- Designing

Taxability under GST-

Whether Sale of Gold Jewellery or provision of labour services??

In case, if some portion of Gold is added by the Registered Jeweler during the course of making jewels what shall be the rate of tax for the value of Gold added??

Case Study-3

- Gold given by the Registered Jeweler in the bullion form to a registered gold smith/unregistered goldsmith for making jewels.

The gold smith charges the registered jeweler for-

- Making charges;
- Designing

Taxability under GST-

Whether Sale of Gold Jewellery or provision of labour services or Job work??

In case, if some portion of Gold is added by the gold smith during the course of making jewels.

Rate of tax for the value of Gold added??

Case Study-4

- An individual customer subscribes to a gold scheme having the following terms and conditions:

- Collection of a fixed amount on a monthly basis for the stipulated period;
- Allotment of certain quantity of gold to the subscriber based on the rate as prevailing during the payment of installment;
- No cash refund of installments paid;
- Redemption by way of supply of gold with no making charges or any other benefits as prescribed in the scheme;

Taxability under GST-

Whether collecting installments amounts to supply??

Whether installments collected amounts to advance ??

Case Study-5

- An individual customer exchanges his old gold jewellery having a value of Rs.1,00,000/- for the new gold jewellery valuing Rs.1,50,000/-

Taxability under GST-

Whether exchange/sale of old Gold Jewellery by the individual amounts to supply??

Whether the Registered Person is required to pay GST on the value of such purchase on reverse charge basis??

Taxable value of the Gold in such cases, whether Rs.1,50,000/- or on the differential value i.e., 50,000/-??

Documents for effecting movement of goods

Documents for effecting movement of goods

Removal of good other than by way of supply:

- Hallmarking of the gold;
- Job work;
- Line sales or sale on approval basis;

In such cases, the registered person may remove the goods *without payment of taxes* upon issuing the following documents-

i. a **delivery challan**; and

ii. such other document as specified in the Notification No. FD 47 CSL 2017 dated July 5, 2017 i.e, **"e-way bill/ e-Sugam"** for specified commodities whose value exceeding *fifty thousand rupees* for effecting movement of goods.

Input Tax Credit

Input Tax Credit

- Every registered person is entitled to take the credit of input tax charged on any supply of goods or services which are used for in his course of business or furtherance of his business.

- However, the following conditions may be satisfied in order to take the input tax credit:

  - The registered person is in the possession of a tax invoice;
  - The registered person has received the goods / services;
  - The payment of the value of supply including taxes has been made to the vendors within the period of 180 days;
  - The supplier has discharged the liability by cash or utilization of his input tax credit;
  - The registered person has furnished the returns;
  - The input tax credit is not falling in the list of goods/services as specified in the blocked credits.

Compliances under GST

Compliances under GST

- Every registered person shall furnish the details of outward supplies, inward supplies and return in form GSTR1, GSTR 2 and GSTR 3 on a monthly basis within time prescribed.

- The details of challans in respect of

  - goods dispatched to a job worker; or
  - received from a job worker; or
  - sent from one job worker to another during a quarter

  shall be included in *FORM GST ITC-04* and furnished within the time prescribed.

- Where the inputs or capital goods are not returned to the principal within the time stipulated as per Section 143(1)(a) [input-one year and capital goods-three years], it shall be deemed that such inputs or capital goods had been **supplied by the principal to the job worker.**

Transitional Provisions

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- As per the provisions of Section 140 of the CGST Act, 2017, a Registered Jeweler would be eligible for the duty credit on the excise duty component of the eligible stock under GST which was not available under the earlier law.

- Notional credit of 40% of CGST would be eligible for the duty credit incase of jewellery / gold purchased from a non- manufacturer (i.e., where excise duty has not been charged by the vendor in the purchase invoice.)

- Such benefit available shall be passed on to their customers by way of reduced selling price.

Transitional Provisions

Eligible stock

- Date of invoice for the said stock shall be within a period of 1 year;
- Such inputs/goods are used or intended to be used for making taxable supplies;
- Declare such stock in the Form GST TRAN 1 within the time prescribed;
- Furnish the details of supply made after the implementation date of such stock held in stock in GST TRAN 2 on a monthly basis for six tax periods.

Thank You!!!

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