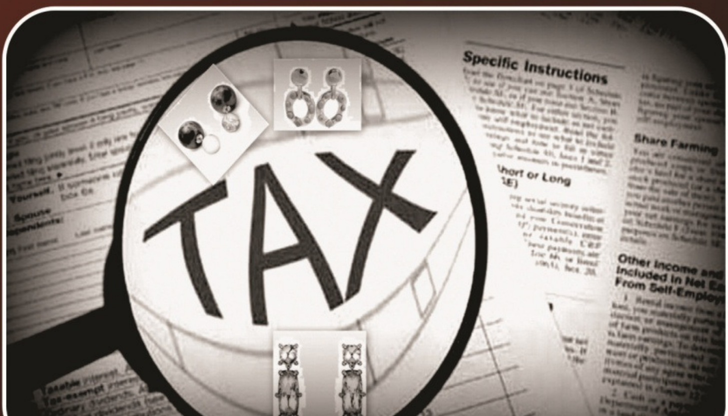
EXCISE LAW FOR JEWELLERS

A Ready Referencer

CA MOHIT BANSAL & CA PRABAL GODANI



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PREFACE

The way of taxpayers is hard and the Legislature does not go out of its way to make it any easier. It is very well said by *Mr. Palkhivala*, "The tragedy of India is the tragedy of waste- waste of national time, energy and manpower. Tens of millions of man- hours, crammed with intelligence and knowledge- of tax gatherers, taxpayers and tax advisors- are squandered every year in grappling with the torrential spate of mindless amendments. The feverish activity achieves no more good than a fever".

This decade has seen tremendous reforms in the Indian taxation system, which represented the tolerance power of our population. The taxpayers withstand with mute silence, not only today but since years, the onslaught of amendments, which in the garb of simplification more often confuse the law.

Various books have been on Central Excise Law in India. However, very few of them cater to the specific needs of the reader. Hon. Finance Minister of India *Shri Arun Jaitley* in Budget 2016 withdrew the previous exemption in Jewellery items and announced that excise duty will be levied on Jewellery items with effect from 1 March 2016. Thus, it was the need of the hour to bring out a publication to not only support but also acquaint the industry with fine nuances of excise law and procedures and the implications of the amendment.

The purpose of this book is not only to act as a ready reference of excise law on jewellery industry but also to come in handy for various entrepreneurs in the industry. The book gives an understanding of various provisions of excise law applicable on jewellery industry and the amendments brought in by The Finance Act, 2016.

The language of the book has been kept simple and in easy to understandable format for all kinds of readers. Necessary illustrations and charts have been added to make the book interesting and to simplify the provisions. The main essence of this book is that the topics covered are organised in such a manner so as to help a reader to clearly understand the procedures of levy of excise duty on jewellery items.

CA MOHIT BANSAL

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About the Authors

CA Mohit Bansal

Mohit Bansal is an Associate member of the Institute of Chartered Accountants of India, and a Commerce graduate. He is an enthusiastic professional with over 4 years of experience with an ability to get a core understanding of the client's needs and providing the best solutions for it. He emerged as a self practitioner straight after qualifying his Chartered Accountancy exams and since then working as one of the founder member of a Chartered Accountants firm in Aligarh.

His work exposure helps him to give the solutions to the client in all the areas involving Direct Taxes, Indirect Taxes and other matters relating of finance and setting up of business. While he handles all the issues of the clients in all the aspects at ease, but his core expertise and keen interest lies in handling issues related to Direct Taxes.

He is also a Faculty member of various courses organised by Institute of Chartered Accountants of India and has conducted various seminars on topics like advanced issues in MS- Excel, etc. Moreover, since 2014 he has also been associated with Ativrddhi Institute as faculty member. He has also written various articles and also delivered various seminars on Audit of Educational Institution, GST, and Service Tax – Point of Taxation etc.

CA Prabal Godani

Prabal Godani is an Associate member of the Institute of Chartered Accountants of India and a commerce graduate. He came into practice straight after qualifying his Chartered Accountancy exams. He has rich experience in the field of indirect taxation, auditing, corporate finance, etc.
He handles various issues with equal ease but his core expertise lies in indirect taxation. Moreover, he has a good exposure in the fields related to direct taxation.

He is also a faculty member for various professional courses organised by The Institute of Chartered Accountants like Orientation Programme, GMCS, etc. Further, he has been a faculty member at Ativrddhi Institute for courses on Corporate Compliances.

He is a great believer of use of technologies in professional services and creation of multi-disciplinary mega firm to provide one stop solution for all corporate needs, recognized for the out-of-box thinking and innovative approach.

Acknowledgements

We would like to thank **Nitish Pruthi** who was with us throughout the journey and helped us in giving final shape to the book. We express our gratitude to **The Institute of Chartered Accountants of India (ICAI)**, who from time to time issues various Guidance Notes giving various clarifications and resolving the doubts of its members.

Our special thanks go to our publisher, who is not only a leader in this segment but also a knowledge partner for many.

Needless to add, the publication of this book would not have been possible without the wholehearted support of our family members.

As the book is technical in nature there is a possibility of errors, and also possible that something is left from our vigilance. Therefore, we expect a valuable feedback from our readers and expect them to bring it to our notice so that we can rectify any discrepancy in coming editions. We have tried to provide all the references and sources for any information used wherever it was required.

Kindly revert us at ***gbpadvisors@gmail.com*** for any feedback or suggestion.

Wishing all the readers enjoyable reading!

Place: Aligarh

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Contents

Introduction to Central Excise Duty

Central Excise law is one among the oldest levies in India, which was introduced in formal way by British Rule in India during pre-independence. The same continued even after independence as it was one of the main sources of revenue for Government of India.

Central Excise Duty is in the nature of Indirect Tax.

Article 246 of the Indian Constitution empowers The Parliament of India to levy central taxes in India. Central Excise Duty is levied on the commodities that are manufactured or produced in India and are excisable.

However, collection is different from levy since the duty is collected at the time of removal of goods from the factory of production. Till the time the goods are removed from the factory, collection of duty is deferred and the goods are allowed to be stored within the factory of production.

Thus, in simple words, Excise duty is levied at the time of production of goods, however, the same is collected by the government at the time of removal of goods from the factory or warehouse or any similar area.

The levy and collection of duty is irrespective of the fact that the manufacturer is the owner of the manufactured goods or not or the goods have been sold or not.

History of Excise Duty in Jewellery Industry

In 2005, Central Excise Duty @ 2% was imposed on branded Jewellery. The collections of excise duty from this sector were only Rs.16 crore till 2008 which were not even sufficient to recover the cost to the department. Therefore, the excise duty from the said sector was withdrawn in 2009.

In Budget 2011, the duty was re-introduced @ 1% on branded precious metal Jewellery. From 17.03.2012, the levy of duty was further extended to all Jewellery whether branded or unbranded.
However, to simplify its operation and minimize its impact on small artisans and goldsmiths, it was proposed to:

- charge the excise duty on tariff value equal to 30% of the transaction value;
- to extend SSI exemption up to annual turnover not exceeding Rs.1.5 crore for units having a turnover below Rs.4 crore in the preceding year;
- to compute turnover on the basis of tariff value; and
- to place the onus of registration and payment on the person who gets Jewellery manufactured on job-work.

At the same time, it was also proposed to fully exempt branded silver Jewellery from excise duty. These changes, led to lot of agitation across the country for withdrawing the duty and as a result, Central Excise duty was exempted.

Again in the Union Budget 2016-17, as announced on 29th February 2016, has proposed to withdraw the exemption provided earlier w.e.f. 1st March 2016 which means the Central Excise duty @ 1% is imposed on all the Jewellery articles except silver Jewellery not studded with diamonds, ruby, emerald or sapphire.

Taxability of Jewellery Industry post budget 2016- 2017

The scheme of levy and collection of Central Excise duty on articles of Jewellery is as under:

- The levy and collection of Central Excise Duty is on the **manufacture of Jewellery**.

- The excise duty levy **would not be applicable** to branded or unbranded **silver Jewellery**, which are fully exempted from excise duty, however, if such silver Jewellery is studded with diamonds, ruby, emerald or sapphire then the same shall suffer excise duty irrespective of the fact whether it is branded or not.

- It is applicable to both branded as well as unbranded Jewellery.

- The rate of duty on the Jewellery are as follows:

  i. **1% on transaction value** without CENVAT Credit on inputs and capital goods (i.e. not taking credit of Excise duty already paid at the time of purchasing either raw material or fixed assets). However, **credit on Input Services is eligible**; or

  ii. **12.5% with CENVAT Credit** of inputs, input services and capital goods (i.e. taking credit of Excise duty and Service tax already paid at the time of purchasing either raw material or fixed assets and taking services respectively).

- The benefit of Small Scale Industry (SSI) exemption of **Rs. 50 Lakhs** (exemption based on value of clearance) is available if the value of manufactured goods (on own or through job worker) cleared domestically has **not crossed Rs. 12 Crores** (all goods manufactured including silver Jewellery) in the **financial year 2014-15.**

  In simple terms , if total turnover (all goods manufactured including silver Jewellery) is less than Rs. 12 Crores in the financial year 2014-2015 , then no excise duty to be paid upto Rs. 50 Lakhs for financial year 2015-16 i.e. for the month of March 2016.

- Similarly, if the domestic value of clearance has **not crossed Rs. 12 crores** (all goods manufactured including silver Jewellery) in the preceding financial year, for the current financial year, **exemption upto Rs. 6 crores** of value of clearances can be availed.

  In simple terms, if total turnover (all goods manufactured including silver Jewellery) is less than Rs. 12 Crores in the financial year 2015-2016 , then no excise duty to be paid up to Rs. 6 Crores for financial year 2016-17.

- The said exemption based on value of clearance is not available if manufacturer affixes the brand name of another person.

- While computing the above said value of clearances, the value of Exports or the value of traded goods or the goods manufactured with the brand name of others (on which duty has to be paid) should not be counted.

  In simple terms, for calculating total turnover all goods, manufactured including silver Jewellery is included and all Exports and goods manufactured with others' brand name are excluded.

Authors' Remark:

- *The goods, which are exported, are free from excise duty.*

- *If any sale is made to an NRI, then the duty will be levied normally.*

Basic concepts of Excise Law for Jewellery Sector

Levy of Central Excise Duty

Central Excise duty is attracted if following four conditions are satisfied:

- There should be manufacture ***i.e. the manufacturing process must took place.***

- Manufacture should be of Goods (Movable and Marketable) which means the product that has been manufactured ***should be movable from one place to another and can be sold in open market.***
- Such goods manufactured should be **Excisable Goods.**

(Set out in Schedule I or II to Central Excise Tariff Act, 1985 as subject to Duty)

- Manufacture should happen in **India**.

Meaning of Manufacture in context of Jewellery Industry

Any Process which changes the name, character or use of any product.

Further, the processes of affixing or embossing trade name or brand name on articles of Jewellery or on articles of goldsmiths' or silversmiths' wares of precious metal or of metal clad with precious metal is **deemed to be "manufacture"** which means using the brand name or trade name of others also lead to be covered under the definition of Manufacture.

Person liable to pay Excise Duty

As a basic principle the liability to pay Central Excise duty is on the person who manufactures the goods irrespective of the fact whether he is the owner of the goods or not.

Moreover, in the Jewellery sector, in case of **Job Work** in terms of special provision contained in Rule 12AA, there is an **exception** to the above rule; 'manufacturer has to pay duty irrespective of ownership', the person who gets the article of Jewellery falling under heading 7113 or 7114 produced or manufactured on his behalf on job work basis will be liable to pay duty. ***Therefore, Job Worker is not liable to pay Excise Duty.***

Authors' Remark:

- *Where the goods are purchased from other manufacturer bearing (buyer) brand name, the liability to pay duty of excise is on original manufacturer.*

- *The brand owners need not to pay any duty on the subsequent sale of goods to customer.*

Meaning of Job Worker for the purpose of Jewellery Industry

Any person who is engaged in manufacturing or processing on behalf of any person who supplies inputs so as to complete the process resulting ultimately in manufacture of articles of jewellery under heading 7113.

Time of Payment of Excise Duty

Excise Duty has to be paid on removal of the goods from the place of Manufacture.

In case, the place of manufacture and sale **are same**, then Excise Duty can be paid on sale to customer ***i.e. Payment to be done at the time of removal of goods from Showroom***.

In case, the place of manufacture and the place of removal **are different**, then the Excise Duty has to be paid on removal of goods from place of manufacture (workshop) to place of sale (showroom) ***i.e. Payment to be done at the time of removal of goods from workshop/Factory***.

Valuation on which Duty has to be paid

Case1: In case the place of manufacture and sale are same

Excise Duty has to be paid on transaction value of the goods.

Case 2: In case the place of manufacture and sale are different

Excise Duty has to be paid on the value of goods prevailing at the place of sale (showroom) at the time of removal from the place of manufacture (workshop).

Case 3: In case of Job Work

In case of Job Work, the valuation has to be normal transaction value prevailing at the showroom at the time when goods were removed from the job- worker premises.

Case 4: In case where customer gives consideration in non-monetary form i.e. Old Jewellery

Where old gold jewellery is brought by retail end-users, then the value shall be determined as per following:

Value of jewellery supplied by customer + Additional material used by manufacturer in manufacturing jewellery + Jewellery making charges.

Case 5: In case where customer gives gold or other precious stones

Excise duty has to be paid on the value that is inclusive of the gold, other precious stones or any other consideration given by customers in any form.

Consideration of wastage, making charges and stone charges for the purpose of valuation

The valuation is on the transaction value with the customer, which includes all charges receivable from customer. ***i.e. Excise duty is computed after considering all such charges.***

Excise Duty on Sale of Scrap

Sl. No. 195 of Notification No. 12/2012-CE dated 17.03.2012 state that, any Dust or powder of natural precious or semi-precious stones is **exempted from Excise Duty**.

Similarly, waste and scrap of precious metals or metals clad with precious metals, arising in course of manufacture of goods falling in Chapter 71 is **exempted.**

However, if it is of **synthetic precious or semi- precious stones**, it is liable to **duty at 6%.**

Collection of Excise Duty from Customers

Excise Duty is an Indirect tax and thus, can be collected from the customer.

However, if the place of manufacture (workshop) and the place of sale (showroom) are different, then Excise Invoice cannot be raised on the customer and hence, it is to be recovered as Product Cost by Showroom.

Due Date for Depositing Excise Duty

Duty needs to be paid by the **6th of succeeding month** through **Internet Banking**.

However, **SSI units** are permitted to make **quarterly payments** i.e. by the 6th of July, October, January respectively.

For the Month of **March/ Fourth Quarter** duty need to be deposited till **31st March**.

Authors' Remark:

Now the question arises, how the duty liability shall be calculated for the month/ quarter ending March, as there may be clearances on 31st March as well and the duty has to be deposited by 31st March to avoid Interest and Penalty.

For the same it is advised to stop removal of goods from factory in last few hours to determine the liability and its payment.

However, if it is not possible, then the duty may be paid provisionally and any shortfall/excess may be adjusted on the next working day along with interest @ 15%.p.a.

Filing of Return

The assessee covered under Jewellery Sector and paying duty @ 1% is required to file return **quarterly** in the form **ER-8**. The last date for filing return shall be 10th of succeeding month ending quarter.

Date from which duty of excise is liable to be paid

For all the clearances from the place of manufacture **on or after 1st March 2016**, duty is liable to be paid.

Excisable goods that were produced on or before 29.2.2016 but lying in stock at the place of manufacture and are not removed as on 29.2.2016 shall attract excise duty upon clearance.

However, if the goods were already cleared from the place of manufacture and are lying in stock in any other place like showroom, warehouse, stocking place, etc., **are not liable** for duty as goods were already cleared form the place of manufacture.

No Declaration is required for the same. However, a **Certification from Chartered Accountant** as to stocks lying at different places is required.

Products liable to Excise Duty

Tariff Item	*Description of Goods*	*Unit*	*Tariff Rate of Duty*
7113	**Articles of Jewellery and parts thereof, of precious metal or of metal clad with precious metal**		
	Of precious metal whether or not plated or clad with precious metal:		
7113 11	*Of silver, whether or not plated or clad with other precious metal:*		
7113 11 10	Jewellery with filigree work	Kg.	12.5%
7113 11 20	Jewellery studded with gems	Kg.	12.5%
7113 11 30	Other articles of Jewellery	Kg.	12.5%
7113 11 90	Parts	Kg.	12.5%
7113 19	*Of other precious metal, whether or not plated or clad with precious metal:*		
7113 19 10	Of gold, unstudded	Kg.	12.5%
7113 19 20	Of gold, set with pearls	Kg.	12.5%
7113 19 30	Of gold, set with diamonds	Kg.	12.5%
7113 19 40	Of gold, set with other precious and semi-precious stones	Kg.	12.5%
7113 19 50	Of platinum, unstudded	Kg.	12.5%
7113 19 60	Parts	Kg.	12.5%
7113 19 90	Other	Kg.	12.5%
7113 20 00	Of base metal clad with precious metal	Kg.	12.5%

Authors' Remark:

- Since, Jewellery of platinum is covered under heading 7113 and hence, the same is also liable to duty of excise similar to gold articles.
- In case there is any Change in Purity of Gold article, i.e. it may be 18K, 22K, etc. it will not affect the duty liability. Hence, the Excise duty will be charged normally.

SSI Exemption

Introduction

Small- Scale Industry Exemption (SSI Exemption) is the exemption available to the jewellery manufacturers if the **aggregate value of total clearances** of all excisable goods is **up to Rs. 12 crores** in preceding financial year,

The **exemption** available is **upto Rs. 6 crore** during the current financial year.

However, for the month of March 2016 this exemption is available up to **Rs. 50 Lakhs.**

Following table shows availability of SSI exemption under various cases:

Year	***Value of Clearance (In Rs.)***	***Previous Year Clearances Less than Rs. 12 crores***	***Exemption on (In Rs.)***	***Dutiable (In Rs.)***
I (2015-2016)	60 Lakhs in March 2016 and 4 crores in Entire Year	Yes	50 Lakhs	10 Lakhs
II (2016-2017)	9 crores	Yes	6 crores	3 crores
III	14 crores	Yes	6 crores	8 crores
IV	3 crores	No	Nil	3 crores
V	11crores	No	Nil	11 crores

Certificate from Chartered Accountant

For determining the **eligibility for availing SSI exemption** based on previous financial year as explained above, a certificate from a Chartered Accountant, based on books of account shall suffice and does not require any verification from the departmental officers' side.

Procedure of availing SSI exemption

There is no need to apply for SSI exemption. If the value falls within SSI Limit, the benefit would be **automatically available**. Only certificate from the Chartered Accountant is required.

SSI Exemption Limit in case of assessee for multiple units

If the manufacturer has more than one factories (even at different places), the value of clearance of all the factories will be clubbed for calculating SSI exemption limit.

Authors' Remark:

In case, where units are owned by different persons but effectively controlled by one person, then value of clearance of units owned by different persons need not be clubbed for determination of clearance limit.

However, if the owner of different units is same and there is financial flow back among those units, clubbing provision would be applicable. This is intended to avoid creating bogus units to claim wrong benefit.

Ineligibility for SSI Exemption

SSI exemption is not available for the goods manufactured under brand name of others.

Exception

- Goods manufactured in rural area.
- Manufacturer of packing material with brand name of others.

Registration

Time Limit for obtaining Registration

Registration needs to be obtained within 30 days from the date when liability to pay duty arises.

Hence, the registration needs to be taken **till 30th march, 2016** as the liability arose w.e.f. 1.3.2016.

However, the registration date has been extended till **30 April, 2016.**

Process of Getting Registration

Application for registration shall be filed only online on the website www.aces.gov.in . Necessary documents are required to be submitted physically in support of the details furnished in the registration application.

Documents Required for Registration

- PAN card copy of the company/firm.
- PAN card copy of authorized signatory.
- Ground plan of factory (which should also provide description of boundaries of premises to be registered)
- List of Directors/Partners.
- Memorandum and Articles of Association/ Partnership Deed.
- General Power of Attorney (in case application is signed by authorized agent)
- Apart from these, department may also require certain additional documents, some of which are mentioned hereunder:
    - PAN card copy of Directors/Partners other than Signatories.
    - Address Proofs of the factory premises like:

   - Copy of Purchase Agreement along with electricity bill, water bill etc., if factory is owned.

   - Copy of Leave and License Agreement along with electricity bill, water bill etc., if factory is taken on lease.

   - 'No objection certificate' from the licensor and last paid rent receipt may also be required.

- Residence proof of Directors/Partners.

- Registration Certificate under any other laws, if any.

Time Limit for Granting Registration

Generally, Excise Registration is granted within 7 working days from the date of filing of application.

However, in case of Jewellery Industry, registration is to be given within 2 working days.

Persons Required to take Registration

Every person, who produces, manufactures, carries on trade, holds private storeroom or warehouse or otherwise uses excisable goods or an importer who issues an invoice on which CENVAT Credit can be taken, is required to get registration under central excise.

However, any person getting the articles of Jewellery and/or other articles of precious metals manufactured on his behalf on job work basis shall obtain registration.

Hence, the job worker is not required to take registration in Jewellery sector.
[Rule 12AA of the Central Excise Rules]

Persons not required to take Registration

- Job Worker as discussed above.

- Persons who **manufactures** excisable goods, which are chargeable to **Nil** rate of excise duty or are fully exempt from duty ***i.e. Manufacturing of silver items not studded with diamonds, ruby, emerald or sapphire or***

Branded Silver Items are not liable to take registration under excise and all jewellery items falling under the tariff head other than 7113, etc.

- Person who carries on trade of jewellery items.

  It means that if the Jewellery house is purchasing the ready Jewellery and selling the same to customers, there is no activity of manufacture and hence the same shall not be subject to excise duty.

  Exception:

  If the Jeweller for trading purpose has paid the consideration in gold for purchase of Jewellery, then it shall not have any impact on the trader.

  However, if the same was given on a Job Work basis then Excise Duty shall be payable by the trader and, hence, he is required to get registration.

- Small Scale Units availing exemptions, based on value of clearance ***i.e. Jewellers whose turnover does not exceeds Rs. 6 Crore in the preceding Financial Year provided a certificate from Chartered Accountant is required for availing SSI Exemption.***

Issues in Registration

Validity of Registration Certificate

Once the Registration certificate is granted, it has a permanent status until and unless it is suspended by the appropriate authority or surrendered by the concerned person or company.

Penalty for failure to get registered

In case, the manufacturer who is required to take registration under the central excise fails to apply for or take the registration, a penalty up to the duty of ***contravening goods or Rs. 10,000 whichever is higher***, can be imposed and the department will take possession of the said goods.

Further, imprisonment up to 7 years (minimum 6 months) can be imposed.

Centralised Registration

In case, the manufacturer has multiple factories but there is centralised billing system for all of them, then the manufacturer has the option to get registration of only such factory from where the centralised billing is done.

However, Manufacturer opting for centralised registration is required to give details of all the premises where manufacturing activities are carried out whereas **details of job worker premise are not required to be given.**

Authors' Remark:

- Since details of Job Work premises **are not required to be disclosed** while applying for registration, hence, the manufacturer having various workshops can show them as Job work Units and thus not required to disclose them in registration application.

- Whether Centralised registration is helpful or not, will depend upon the business model being followed by manufacturer.

  In general, it could be suggested to make one of the workshops at Prime workshop where all the records are maintained. This could waive the requirement to take registration of showroom, which may be used exclusively for trading of goods received from workshops along with goods purchased from other for trading purpose.

  Further, the showroom may be registered as Input Service Distributor to distribute the credits on input services to workshops. This credit may be utilized by workshops to utilize against their liability arising on removal of goods under both the options (1% or 12.5%).

Physical Visit by department officer

In case of Jewellery Industry, there is a special provision that the officer **shall not physically** visit the factory or premises of the person.

Hence, there **will not be** any physical verification neither before nor after obtaining registration.

Invoices and Records

Invoice

- Invoice is basically required at the time of removal of the goods.

- Invoice is the document by which the excisable goods are cleared by the manufacturer. Excisable goods shall not be cleared without an invoice.

- The invoice needs to be issued by the person liable to take registration. Hence, this is also the document, which indicates the assessment of duty.

- The prescribed format of Invoice is given in ***Annexure 1.***

Number of Copies of Invoice to be maintained

Each excise invoice should be prepared in triplicate. They are to be-

- Original Copy for buyer.
- Duplicate for transporter.
- Triplicate for assessee.

Maintenance of Invoice

- **In case where goods are sold directly to customer, seller** shall prepare the triplicate copy of invoice mentioning the necessary details including the date and time of removal of goods on such invoice.

- **In case where goods are sold directly from Job Work Premises,** seller shall prepare the original and duplicate copy of invoice and send them to Job Worker without mentioning the date and time of removal of goods on such invoice.

  The job worker shall fill up the particulars of date and time of removal of goods before the clearance of goods.

  After such clearance, the date and time of the clearance of goods shall be communicated to the seller for completing the particulars in the triplicate copy of the invoice.

General Records to be maintained

- **Daily Stock Account (Production Register):** Normal records maintained by assessee shall be acceptable.

- **Input stock register:** In order to account for the materials received and issued from stores.

- **Input service credit register:** To give details of input service credit availed.

Maintenance of Records in Electronic Form

The assessee may maintain all or any of the records, returns or invoices and other documents prescribed under the law in electronic form.

No specific permission is required from the Central Excise Department for this purpose.

Procedure and Format of Register

Case 1: When goods are manufactured by Job Worker and duty being paid by Seller

- **Procedure for sending goods to job worker:**

  The goods should be sent under Challan, Consignment Note or any other similar document.
- **Procedure for sending finished goods by job worker:**

  The Job Worker shall send the finished goods on the counterfoil of the Challan, Consignment Note or any other similar document.

  Further, it shall be accompanied by Invoice as discussed above and as specified under Rule 11 of Central Excise Rules, 2002.

- **Job Work Register** (Format given in Annexure 1)

Case 2: When goods are manufactured in own workshop but registered premises is different

- **Procedure for sending goods to workshop**

    - Received the order.
    - Raise the Returnable Outward Challan (Format given in Annexure 1)
    - Make an entry in Stock Register for issue of materials.
    - Make an entry in Outward Processing Register.
    - Security on verification of the quantity should make the entry in the Outward Register. The security has to put its seal at the back of the Returnable Outward Challan.

- **Procedure for sending finished goods by workshop**

    The workshop shall send the finished goods on the counterfoil of the Challan, consignment note or any other similar document.

    Further, it shall be accompanied by the Invoice issued from the registered premise.

- **Workshop Register (Format given in Annexure 1)**

Case 3: When goods are serviced or repaired

- **Own goods**

    - The rejected goods can be linked to the original invoice under which they were removed.
    - Where the customer does not provide his invoice stating that duty has been paid, assessee shall link the receipt to the original sales invoice under which the goods had initially been removed.

    - The entry in the records should have the information provided in ***Annexure 1***.

    - After the process, the goods can be removed to the customer or any other person, if no re-manufacture is involved.

    - Alternately, excise duty to be paid on the transaction value disclosed on excise invoice, if manufacture is involved as may be applicable based on the price at which remanufactured goods are sold.

- **Procedure of repair, reprocessing etc amounting to manufacture.**
  - Goods received shall be issued to production just like other normal cases with a separate series of issue slips.
  - The processed goods shall be accounted in the Daily Stock Account and the same may be removed as other removals on transaction value basis under an invoice under rule 11 of Central Excise Rule, 2002.
  - The duty on the removals will be at the rates applicable on the date of removal on the transaction value disclosed in invoice as applicable.
  - Duty initially paid @ 1% shall not be eligible for credit.
- **Process not amounting to manufacture**
  - Goods, say Jewellery of gold on which 1% Excise Duty paid are to be issued to production under special series of issue slips.
  - Subsequently after process, details of goods are to be entered in repairs register as said above.
  - As the process does not amount to manufacture, there is no need to pay duty again.

Case 4: When goods are trade from manufacturing location

The manufacturing activity has to be segregated from the trading activity physically (as far as possible) though the same is carried from the same location.

- Proper documentation is to be maintained for the trading goods as to purchases/receipts, issues and balance (separate from the manufactured goods).
- Subsequently for removal of trading goods it is preferable to maintain a separate invoice book serially numbered (different from the excise invoice) after prior permission of Assistant Commissioner of Central Excise (ACCE) /Deputy Commissioner of Central Excise (DCCE).
- If the excise invoice itself is used even for trading goods, a clear indication on the invoice “TRADING GOODS” shall be made.

Duty Liability under different Situation

Where goods are sent on approval basis

If the goods are manufactured at showroom/workshop and send directly from there on approval basis, duty needs to be paid at the time of such removal.

Further, for the purpose of adjustment of tax already paid if goods returned/ rejected by the customer, the goods may be stored separately by as duty paid stock and there will be no liability on subsequent removal.

Where goods are goods received for repair/reconditioning etc.

If the process of repair/reconditioning etc. amounts to manufacture, duty needs to be paid at the time of second removal of goods as well.

The duty needs to be paid on gross amount including the value of material.

If the process does not amount to manufacture, there is no liability to pay duty.

On manufacturing and sale of gold coins

If the gold coin is unbranded, it is exempted from payment of duty.

If it is branded then exemption is available only if purity is 99.5% and above.

On Conversion of old Jewellery into gold bar

If old Jewellery is converted to gold bar by melting **with aid of power**, then there is an exemption from payment of duty vide **Sl. No. 188 of Notification No. 12/2012-CE dated 17.03.2012.**

However, if it is not made using the aid of power, there is no exemption.

In simple terms, if old jewellery is converted to gold bar, then it will be exempted only if done with the aid of power, otherwise not.

Exemption of Goods

Full Exemption (100% Exemption)

1. **[Sl. No. 188 of Notification No. 12/2012-CE dated 17.03.2012]**

   For Primary gold converted with the aid of power from any form of gold. However, it should not be out of gold ore, concentrate or dore bar. This also covers conversion from old Jewellery to primary form of gold. The primary form of gold means gold in any unfinished or semi finished form and includes ingots, bars, blocks, slabs, billets, shots, pellets, rods, sheets, foils and wires.

2. **[Sl. No. 192 of Notification No. 12/2012-CE dated 17.03.2012]**

   a) For Articles of goldsmiths' or silversmiths' wares of precious metal or of metal clad with precious metal, not bearing a brand name. However, if it is having a brand name, it is liable for 1% duty with the similar condition explained above for Jewellery;

   b) Strips, wires, sheets, plates and foils of gold, used in the manufacture of articles of Jewellery and parts thereof;

   c) Precious and semi-precious stones, synthetic stones and pearls.

3. **[Sl. No. 195 of Notification No. 12/2012-CE dated 17.03.2012]**

   a) Dust and powder of natural precious or semi-precious stones. However if it is of synthetic precious or semi- precious stones, it is liable to duty at 6%;

   b) Waste and scrap of precious metals or metals clad with precious metals, arising in course of manufacture of goods falling in Chapter 71.

4. **[Sl. No. 196 of Notification No. 12/2012-CE dated 17.03.2012]**

   Strips, wires, sheets, plates and foils of silver.

5. **[Sl. No. 199 of Notification No. 12/2012-CE dated 17.03.2012]**

   Articles of silver Jewellery, other than those studded with diamond, ruby, emerald or sapphire.

6. **[Sl. No. 200 of Notification No. 12/2012-CE dated 17.03.2012]**

   Gold coins of purity 99.5% and above and silver coins of purity 99.9% and above, bearing a brand name when manufactured from gold or silver respectively on which appropriate duty of customs or excise has been paid.

CENVAT Credit

- There is **no restriction** for utilizing CENVAT Credit for the purpose of payment of Excise Duty.

- However, when 1% rate is applicable then CENVAT Credit of Inputs and Capital goods cannot be availed. It means only CENVAT Credit of Services is available.

  For Example,
  - Renting of showroom/premise;
  - Advertisement;
  - Branding;
  - Audit expenses;
  - Bank charges and similar other expenses incurred in the business of manufacturer.

  Nevertheless, if the credit is relating to both dutiable activity as well as exempted activity, the proportionate credit is eligible.

- Further, following items are restricted from taking credit for the purpose of input service:

  - Construction of Civil Structure.
  - Renting of Motor Vehicle.
  - Expenses incurred for personal use or consumption of Employees.

Authors' Remark:

In case of Sales Return by the customer or if goods sent on approval basis are returned, then the returned goods should be kept separately and on subsequent removal, no duty need to be paid.

However, on subsequent removal if the process undertaken on returned goods amounts to manufacture, there would be duty liability.

Also, credit of duty paid earlier @1% would not be available taking a conservative interpretation.

Experts' Opine on levy of Excise Duty

For Impact on Indian Economy

Jewellery stocks have gone into tailspin ever since the *Finance Minister Arun Jaitley* refused to budge under immense pressure from jewellery associations, asking for a rollback on his decision to levy 1% excise duty on jewellery articles.

“It will impact 90% of jewellery manufactured by small and micro sector and karigars and hence implementation is not at all practical,” said *Saurabh Gadgil, Chairman and Managing Director,*
PNG Jewellers.

He said jewellery making is the third largest employment generator after agriculture and textile, creating a value addition of over Rs.1 trillion, which is the same as the auto and chemical sector. So manufacturing and exports should be encouraged, he said.

Moreover, since the time the government made it mandatory for gold buyers to furnish **PAN card details** on **gold purchases above Rs 2 Lakhs w.e.f. January 2016**, it started pinching Jewellery sales by prompting gold buyers to flock overseas, primarily in Dubai, Singapore and Malaysia to avoid furnishing such details.

Experts believe the earnings of jewellers may take a hit anywhere between 10-15 per cent on PAN card requirement, but will vary depending on their quantum of sales from retail buyers.
Tradebulls Securities too expects an approximately 10 to 15 per cent revenue hit on the new PAN card threshold.
Many experts believe that the mandatory PAN card requirement will curtail the gold demand, as 70 per cent of rural buyers, including farmers, do not have PAN cards, as they are not under tax net.

However, *Mr Shrey Jain, CEO, SAS Online* holds a different view. Jain said the impact is likely to be limited because only a limited portion of the revenue of most players is derived from purchases of more than Rs 2 Lakhs.

As per the organisation, the listed players, likely to be hit the most are PC Jewellers, Titan, TBZ, Gitanjali Gems, Rajesh Exports, Shree Ganesh Jewellers, Goldiam Int and Tara Jewels.

On excise duty hike, *Vivek Gupta, CMT - Director Research, CapitalVia Global Research* said: "investors should not be worried about the strike called by the jeweller's association and should rather use the correction in stocks to enter at lower levels in fundamentally strong counters having future growth potentials."

The expert recommended investors look at stocks such as PC Jeweller and Titan.

"The new duty comes at a time when the industry is facing a slowdown in purchases because of the surge in prices since the start of the year and after a poor monsoon cut harvests and incomes in rural India, a traditional source of demand," says experts, adding the planned excise tax will make purchases more expensive for buyers and lead to irregular business practices.

Since, the levy of excise duty Jewellery stocks have shown mixed response to the strike called by Jewellers' association. Gupta believes if one is looking for long-term investment, one can hold the stocks as market has already discounted the news of excise duty hike by government, so it is not prudent to sell jewellery stocks at the moment.

By imposing excise duty on jewellery, government is trying to generate a source of revenue but the entire industry is against paying excise duty because it would increase cost of production for jewellers, which will put further burden on already struggling industry.

Instead of excise duty, the industry has suggested either 1% increase in import duty or Value Added Tax (VAT). IBJA (India Bullion and Jewellers Association) has made multiple representations to the Authorities to consider this request.

However, *Finance Minister Arun Jaitley* ruled out rollback of the order, saying the move is aimed to aligning gold with Goods and Services Tax (GST) which he hopes will happen soon.

"The day we get your blessing and GST will be implemented. Then all goods will come under GST and so will be gold. This (1% excise duty proposal) is a preparation towards it," *Jaitley* said while replying to a debate on General Budget in Lok Sabha.

Jewellery retail and manufacturing accounts for 6-8% of the country's GDP, *said Rastogi*, adding that 11% of world's gold is held by Indian households and making the precious metal more expensive will only give rise to a parallel economy.

According to *Anil Talreja, partner, Deloitte Haskins & Sells LLP*, duty hike on jewellery have no rationale, and will lead to higher costs.

For Impact on Ease of Doing Business

Gems and Jewellery Export Promotion Council (GJEPC) stated that the imposition of 1% excise duty on jewellery (other than plain Silver jewellery) by the Government of India in Union Budget 2016-17 is not in the interest of the industry. *GJEPC Chairman* has already approached the Government to initiate meetings with the Finance Minister and Officials of the Finance Ministry and the Commerce Minister & Commerce Ministry to persuade them to rollback their decision of imposition of excise duty on jewellery.

Mr. Praveenshankar Pandya, Chairman, GJEPC, said, "For 30 to 40 years, there was no excise on jewellery due to the small scale nature of manufacturing and sale of goods and the unique way the industry does its business. In addition, the industry also imports all its gold from outside after paying Customs duty. Hence, the Council is of the opinion that it needs to be withdrawn by the Govt. forthwith."

Gem & Jewellery Industry had made several representations to the Government to facilitate Ease of Doing Business in the Sector. In India, jewellery is largely produced by the SMEs and they are not equipped to follow the rigid compliance of excise norms. **The imposition of excise would severely influence jewellery production in India resulting in loss of employment to the uneducated but skilled jewellery workers**.

"We are distressed to find in the case of the gems & jewellery sector, no specific attention has been paid to address ease of doing business considering that exports of gems & jewellery account for a major share in the world market. We expected that the Government would announce measures to facilitate the export-oriented industries and create an environment of ease of doing business. We find that our existing concerns have not been addressed in this Budget," *Mr. Pandya* added.

In the past, successive Governments have considered this and not levied excise on jewellery. The Council strongly urged the Hon. Finance Minister to reconsider the withdrawal of levy of excise on jewellery products. GJEPC will continue to engage with the government on key issues and challenges faced by the Industry.

For Impact on Bullion Refiners

The excise duty levy that has hit jewellers, who are protesting against a new 1% manufacturing tax on gold and studded gold jewellery, is having ripple effects on bullion refiners too, but for a different reason.

The government in the Budget for FY17 has, according to the Association of Gold Refineries & Mints, inadvertently created a situation threatening the very existence of gold refineries in excise paying zones across the country, to the benefit of refiners in excise-free zones, by increasing the levy on bars made from dore to 9.5% from 9% earlier.

The Association says the hike would compel them to stop operations. Earlier, the import duty on Dore or raw gold was 8%, which was hiked to 8.75% in Budget FY17, something refineries in excise paying areas welcomed, as that would partly level the playing field between them and their rivals in excise exempt areas of Rudrapur in Uttarakhand and Parwanoo in Himachal.

However, excise on gold bars made from Dore (in excise paying areas) was raised by half a percentage point to 9.5% -- adversely affecting MMTC-Pamp India, Shirpur Gold Refinery, and Chemmannur Gold Refinery & GCC Gujarat Gold Centre.
Against this, they said the gross margin of refineries in excise exempt areas is still competitive as their gross margin stands at 1.25% from 2% earlier, after duty on Dore was hiked to 8.75% from 8%.

Those importing Dore benefit over those importing refined gold bars that attract import duty of 10%.

However, this helps manufacturing and employment in India and saves valuable foreign exchange, the lobby argues.

Annexure 1: Formats prescribed under Act

EXCISE INVOICE FORMAT

<table>
<tr><td colspan="6">Invoice for Removal of Excisable Goods from a Factory/Registered Premise on Payment of Duty</td></tr>
<tr><td colspan="6">XYZ Ltd., Aligarh</td></tr>
<tr><td colspan="2">Regd. Office:
Factory:
Excise Regn. No.:
Range :
Division :
Comm. :</td><td colspan="4"></td></tr>
<tr><td colspan="2">Bill to (Buyer details):
PO ref.:</td><td colspan="4"></td></tr>
<tr><td colspan="2">Shipped to (Consignee details)
With details of his jurisdictional Office
CETH of the goods-</td><td colspan="4">Invoice number:
Date of Invoice:
Date of removal:
Time of removal:
Vehicle number:
DC number (if any):</td></tr>
<tr><td>S. No.</td><td>Item Description</td><td>Assessee Item Code</td><td>Qty.</td><td>Rate per Unit</td><td>Transaction Value</td></tr>
<tr><td>1.</td><td>Gold Jewellery</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="5">Excise Duty on assessable value @1%</td><td></td></tr>
<tr><td colspan="2">Total excise duty in words</td><td colspan="3">Total (for VAT/CST calculation)</td><td></td></tr>
<tr><td colspan="2"></td><td colspan="3">VAT/CST</td><td></td></tr>
<tr><td colspan="2"></td><td colspan="3">Total Invoice value</td><td></td></tr>
<tr><td colspan="6">“Certified that particulars given above are true and correct and the amount indicated represents the price actually charged by us and there is no additional consideration flowing directly or indirectly from such sales over and above what has been declared”.</td></tr>
<tr><td colspan="4">E. & O.E.
Prepared By:
Authorised Signatory:</td><td colspan="2">Checked By:</td></tr>
</table>

FORMAT OF DAILY STOCK ACCOUNT

DATE	Opening Balance of Finished Goods	Qty. Mfd.	Quantity cleared			Assessable value of goods cleared	Excise Duty	Invoice Ref.	Closing Balance	REMARK
			For home consumption	For Export	For other exempted clearances					

FORMAT OF INPUT STOCK REGISTER

Description of Item Excise Chapter Heading						
			QUANTITY			
S. No.	Invoice No.	Date	Opening Stock	Receipt	Issue for Production	Closing Stock

FORMAT OF SCRAP REGISTER

S. No.	*Date*	*Opening Bal.*	*Scrap generated during mfg.*	*Sale of scrap*	*Tariff heading of Scrap*	*Assessable value*	*Excise Duty*	*Closing Bal.*

FORMAT OF CHALLAN OR CONSIGNMENT NOTE BASED ON WHICH GOODS ARE SENT TO JOB WORKER

<table>
<tr><td colspan="5">Name of Consignee

Registration no.

Range :

Division:

Comm. :</td></tr>
<tr><td>Description of Goods

Classification of Removal</td><td colspan="4">Time of removal:

Removal date:

Mode of transport:

Vehicle Reg. No.:</td></tr>
<tr><td>Quantity of Goods</td><td>Value of Goods</td><td>Rate of duty</td><td colspan="2">Duty payable</td></tr>
<tr><td colspan="5">Self declaration</td></tr>
<tr><td colspan="4">E. & O.E.

Prepared By:

Authorised Signatory:</td><td>Checked By:</td></tr>
</table>

FORMAT OF JOB WORK REGISTER

Issue Details

Date	*Outward DC Ref.*	*Job Worker Name*	*Sent For*	*Description*	*Qty. Lying with Job Worker*	*Qty. Sent*	*Closing Balance*

Receipt Details

Date	*DC No. of Job worker*	*Description*	*Qty. Received*	*Scrap received*	*Shortage/ Scrap not received*	*Invoice Ref. of Job worker*	*Remark*

FORMAT OF INPUT CREDIT REGISTER

Company Name:
ECC no.:
Range:
Division:
Comm.:
Month:

S. No.	*Description of goods*	*Excise Reg. No.*	*Invoice Ref.*	*Chapter heading*	*Assessable value*	*Excise Duty*	*Remark*	*Date of Payment*	*Ref.*

FORMAT OF CAPITAL GOODS CREDIT REGISTER

Company Name:
ECC no.:
Range:
Division:
Comm.:
Month:

S. No.	*Description of goods*	*Excise Reg. No.*	*Invoice Ref.*	*Chapter heading*	*Assessable Value*	*Excise Duty 50% availed in current year*	*Excise Duty 50% deferred for next year*	*Date of Payment*	*Ref.*

FORMAT OF INPUT SERVICE CREDIT REGISTER

Company Name:
ECC no.:
Range:
Division:
Comm.:
Month:

S. No.	*Service Provider Name*	*Service Tax Reg. No.*	*Invoice Ref.*	*Nature of Service*	*Assessable Value*	*Service Tax*	*REMARK*	*Date of Payment*	*Ref.*

FORMAT OF CHALAN FOR SENDING THE GOODS TO WORKSHOP

<table>
<tr><td colspan="5">M/S XYZ ECC.
Range-
Division-
Comm. -</td></tr>
<tr><td colspan="2">Despatched to: -
(Name and Address of work shop to be provided)</td><td colspan="3">Challan No.
Despatch date: -
Authorised By: -
Priority No: -</td></tr>
<tr><td colspan="2">Item Description</td><td colspan="2">Item code</td><td>Item quantity</td></tr>
<tr><td colspan="5">Value of items sent: -</td></tr>
<tr><td colspan="5">Date of despatch of goods from work shop's factory: -
Nature of the process undertaken: -</td></tr>
<tr><td>Item description
(Details of processed goods dispatched from workshop)</td><td colspan="2">Quantity sent</td><td colspan="2">Balance to be sent</td></tr>
<tr><td colspan="5">Quantity of waste generated if any: Authorised By:
Waste sent or not (Y/N):</td></tr>
<tr><td colspan="5">Date of receipt back into factory: Received By:</td></tr>
</table>

FORMAT OF INFORMATION TO BE MAINTAINED IN RECORDS FOR RECEIPT OF GOODS FOR SERVICING AND REPAIR

Customer Name	*Date of Receipt*	*Doc. Ref. of Receipt*	*Date of original dispatch*	*Original Doc. Ref.*	*Description of goods*	*Full Qty. Of Invoice*

Qty. Returned	*Appropriate duty amount on Qty. returned*	*Date & Doc. for issuing goods for repair*	*Process involved in repair (brief)*	*Date of completion*	*Date & number of invoice for removal after repair*	*Transaction Value*	*Excise Duty*

Year Wise Gold & Silver Rates

FINANCIAL YEAR	Std. Gold Rate (24 Carrat for 10 gms i.e. 0.87 tols.)	Silver Rate (999 touch for 1 kg i.e. 85.734 Tola)
1980-1981	1,670	2,715
1981-1982	3,466	6,646
1991-1992	4,334	8,040
1992-1993	4,140	5,489
1993-1994	4,598	7,142
1994-1995	4,680	6,335
1995-1996	5,160	7,346
1996-1997	4,725	7,345
1997-1998	4,045	8,560
1998-1999	4,235	7,615
1999-2000	4,355	7,675
2000-2001	4,190	7,215
2001-2002	5,010	7,875
2002-2003	5,310	7,695
2003-2004	6,065	11,770
2004-2005	6,180	10,675
2005-2006	8,490	17,405
2006-2007	9,395	19,520
2007-2008	12,125	23,625
2008-2009	15,105	22,165
2009-2010	16,320	27,255
2010-2011	20,775	56,900
2011-2012	28,040	56,290
2012-2013	29,610	54,030
2013-2014	28,440	42,805
2014-2015	26,580	37,500
2015-2016	29,080	36,651