

FAQ: Gems & Jewellery

- 1. Whether advertising and communication material (banners/hoardings/posters) provided to distributors would be treated as supply in the course of business by the company thereby not requiring any reversal of ITC.**

(a) Where the material is provided free of cost:

This would not amount to a supply and hence no tax is payable on such transaction and in such a case credit availed by the company would need to be reversed in accordance with section 17(5) of the CGST Act, 2017.

(b) Where the material is provided for a consideration:

This would amount to a normal supply.

- 2. Currently Banks do not pay any VAT on import of precious metals. Banks/nominated agencies pay only customs duty on imports. In the new regime of GST, will the Banks have to pay IGST while importing?**

Yes, 3% IGST is payable on all imports of precious metals in addition to the basic customs duty. IGST paid can be taken as input tax credit by the banks.

- 3. Banks import gold / silver on consignment basis wherein the ownership of the metal is with the supplier of the bullion which maybe an overseas entity. Is the overseas entity required to have GST registration because currently they do not file returns and are governed by multi-nation treaties?**

This amounts to an import in accordance with the definition of the word "import" in the IGST Act, 2017 which provides that "bringing

The logo for ANK, consisting of the letters 'A', 'N', and 'K' in a bold, blue, sans-serif font. The letters are slightly shadowed, giving them a 3D appearance as if they are floating above a surface.

into India of any goods from any place outside India” is an import of the goods. What is material in this definition is the mere act of bringing into India; the ownership is not material for determining whether an import has taken place. Banks, being registered entities, would be liable to pay IGST on such imports but not the overseas entities since they are not effecting the import.

- 4. Gold and silver imported by banks/nominated agencies on consignment basis are lying in stock as on 1st July. Clarification is required on how to charge the customers in transition phase from VAT to GST. Will customers be liable to pay GST rates?**

GST is payable @ 3% with effect from 01.07.2017.

- 5. Banks lend gold in physical form for a period not exceeding 6 months. Banks receive interest on the gold ounces disbursed and the same is converted into Rupees after calculation of interest on the ounces and the USD/INR conversion. Will the same methodology continue in case of GST as well wherein Banks shall pay a provisional GST (i.e. IGST/SGST/CGST) on ongoing market prices and pay the final GST as and when the prices are fixed?**

Yes, Banks may avail of the benefit of provisional assessment provided under section 60 of the CGST Act, 2017.

- 6. Banks pay provisional VAT currently at the time of delivery of gold on the basis of ongoing market prices. When customer fixes the price of metal, Banks pay actual VAT on the maturity date of the Gold Loan. Banks must be allowed to set-off the excess provisional GST paid to the government against future fixation of prices. In case of**

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excess payment, the same should be refunded on Pan - India basis and not on the basis of States.

Banks may claim refund in accordance with the provisions of section 54 of the CGST Act, 2017. Interest is payable in such cases as provided in section 56 of the CGST Act, 2017. In this connection, section 60(5) of the CGST Act, 2017 may be referred to.

7. When we are selling Gold, Diamond or Silver Jewellery to the end consumer (Customer) like a Gold Chain weighing 10 gm at a total value of Rs. 30,000/- (gold value is Rs. 28000/- and making charges on that gold chain is Rs 2000/-), can we charge GST @3% on the total value or @3% on the gold value and @5% on making charges.?

GST is payable at the rate of 3% of the total transaction value of jewellery, whether the making charge is shown separately or not.

8. When we issue gold as raw material to our Job Worker for Job Work and he returns that gold as finished goods, what GST treatment will be done and how to calculate the value?

The job worker, if registered, would be required to pay GST at the rate of 5% on job charges only. The jewellery manufacturer would in turn take credit of GST paid on such job work and may utilize the same for payment of GST on his outward supply of manufactured jewellery. However, if the job worker is exempted from registration, the jewellery manufacturer would be required to pay GST on his input supply from the job worker [of jewellery made out of precious metal given by him] on reverse charge basis. Nonetheless, he would be eligible to avail input credit of the tax so paid under reverse charge mechanism.

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