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DATE: 26.04.2016

**MINUTES OF THE MEETING WITH THE JEWELLERY TRADE/ASSOCIATIONS ON
LEVY OF CENTRAL EXCISE DUTY ON ARTICLES OF JEWELLERY HELD ON
13.04.2016**

A meeting of the jewellery trade-industry Association namely Hi Tech Jewellery manufacturers Association, Hyderabad to explain the levy of Central Excise duty on articles of jewellery and assure them hassle free/ non interfering tax administration was held on 13.04.2016 at 11-00 hrs, at Hyderabad, which was chaired by Ms. R.Shakuntala, Chief Commissioner. The said meeting was attended by the members of the Association as per the list enclosed.

2. Following Departmental Officers were also present -

1. Shri. M.Srinivas, Commissioner, Hyderabad-I & III Commissionerate, Hyderabad.
2. Shri. Sunil Jain, Commissioner, Hyderabad-II Commissionerate.
3. Shri.A.R.S.Kumar, Commissioner, Hyderabad-IV Commissionerate.

3. The Chief Commissioner welcomed all the participants. The Chief Commissioner introduced herself and all Commissioners to the participants. The members also introduced themselves and informed that their association comprises of predominantly manufacturers of articles of jewellery, they procure gold and get the jewellery manufactured on job-work basis and supply to retailers. There association has almost 80 members. The participants expressed that since it is a new levy they wanted to know about the procedures and statutory requirements. The Chief Commissioner explained to them the basic features and rationale of the levy of

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Central Excise duty on jewellery manufacturers, exemption for small scale units and also formation of sub-committee chaired by Dr. Ashok Lahiri to interact with Trade & Industry on Tax laws and to oversee the issues relating to Central excise procedures etc. The Chief Commissioner also informed that the Board has extended the date of taking Central Excise registration to 60 days from the date of levy . The payment of Central Excise Duty for the month of March 2016 can now be made along with payment of excise duty for the month of April 2016. The Chief Commissioner further explained the following :

(i) The Central Excise Duty is an indirect tax which is on manufacture but for administrative convenience required to be paid at the time of removal by the manufacturer and collected from the customer

(ii) The levy is on manufacture of articles of jewellery (excluding silver jewellery, other than those studded with diamond, ruby, sapphire or emerald).

(iii) There are two rates of Central Excise Duties levied . Excise duty of 1% is levied if no Cenvat Credit is taken on inputs and capital goods and 12.5% is levied if Cenvat Credit is taken on inputs and capital goods .The manufacturers can avail any of the two which ever suits to them.

(iv) There is exemption from payment of excise duty for small scale manufacturers. A jewellery manufacturer will be eligible for exemption from excise duty up to Rs.6 Crores during a financial year , if his aggregate domestic clearances during preceding financial year were less than 12 Crores . For the month of March 2016 the SSI exemption is 50 lakhs subject to the condition that the aggregate value of clearances during the preceding financial year i.e 2014-15 is below 12 Crores.

v) All the statutory requirements are to be complied with online like Central Excise Registration has to be taken online which will be issued within two working days and there would be no physical verification of the premises , Central Excise Duty has to be paid online on monthly basis and Simplified return is required to be filed in Form ER8 on quarterly basis which is also online within the due dates . Thus the Chief Commissioner impressed that all the statutory requirements are to be completed online and that there will be no interaction with the Central Excise Officers during these

processes. The Chief Commissioner assured that all these processes will be hassle free and there would be no visit by the officers.

vi) The private records i.e records maintained for the purpose of BIS and VAT which are being maintained by the manufacturer would be sufficient and no separate records for the purpose of Central Excise Duty need to be maintained.

vii) The job worker / artisans are not required to take registration and pay duty . The responsibility is on Principal Manufacturer in terms of Rule 12 AA of Central Excise Rules 2002.

viii) Chartered Accountant certificate is sufficient in support of stock declaration and Value of clearances .

ix) Facility of optional Centralized registration is available .Thus there is no need for a jewellery manufacturer to take separate registrations for each premises.

4. The Chief Commissioner further requested all the participants/trade to feel free to approach the departmental officers in case of any difficulties and issues faced by them to redress the same. Thereafter the Chief Commissioner requested the participants to express their doubts and apprehensions regarding levy of Central Excise Duty on articles of jewellery for clarification. The following doubts were raised by the participants and the same were clarified as follows:-

(i) Their main concern is that before actual purchase of the manufactured jewellery by their customers/ retailers , they would like to see the jewellery for which the jewellery is required to be taken to their places for approval as well as sales promotion. After approval or selection of jewellery only the jewellery is sold. In trade parlance it is called "Thaila" .Presently the practice followed is that they are raising voucher in the name of the Staff who is carrying the jewellery for approval. An affidavit is also executed in his name in this regard. In the voucher only description as "jewellery" and gross weight is mentioned but piece wise/ variety wise details are not mentioned because it is not possible. The staff takes the jewellery to various customers for their approval or selection and after the jewellery is selected out of the jewellery sent ,sale invoice is raised and the jewellery is accordingly sold. The remaining jewellery is returned back. In such cases what are the documents to be carried

with the jewellery taken out for approval, when the sale invoice is to be issued and when the Central Excise Duty is required to be paid.

Reply : The central excise duty is actually levied on the incidence of manufacture of goods but for administrative convenience required to be paid at the time of removal of goods . Therefore once the goods are to be removed the incidence of charging duty will come. However the duty is not required to be paid clearance wise but on monthly basis. Therefore the duty for a month is same is required to be paid by 6th of the following month but for the month of March the duty is to be paid by 31st of March itself.

To which the participants expressed that payment of duty at the time of taking out jewellery for selection/ approval of their customers is not possible as say 10 kgs of jewellery is taken out for approval basis at a time and only say 1 kg is selected and subsequently sold and remaining 9 kgs is received back . Again this jewellery is taken for approval to various other customers for their selection and sale. This is a continuous process . Further in a single day 5-6 persons take the jewellery for approval purpose. Further they raised apprehensions as to how to adopt valuation at the time of removal when the jewellery is not actually sold to the customer and how to keep the record of duty paid goods which are not approved with the non-duty paid goods. That is the reason they stated that they have requested the Government to defer the levy till the Committee prescribes all the modalities /methodology. Then , the Chief Commissioner requested the participants to submit representations regarding difficulties/ issues faced by them for consideration by the Boards office.

(ii) In the case of jewellery taken out for approval /sales promotion can they pay Central Excise duty on the lines of VAT which is paid after final selection of goods and actual sale instead of on removal basis.

Reply : As already explained the Central Excise duty is levied on the act of manufacture but for the sake of convenience paid at the time of removal of goods. Once the goods are taken out of the registered premises the Central Excise Duty is required to be paid. Whereas VAT is levied on the act of sale. Therefore both the laws cannot be equated.

(iii) Can duty paid goods if returned can be taken in record and repaid on clearances in the same form or modified form.

Reply : Yes duty paid goods can be brought back for reworking . If the manufacturer has paid Central Excise Duty @ 12.5% by availing Cenvat Credit and cleared the jewellery and later returned for remaking / remelting the manufacturer can bring back the goods and take the credit of central excise duty under Rule 16 of Central Excise Rules 2002. On remelting and subsequent manufacturing and removal, duty is required to be paid. However no such provision exists if the manufacturer pays duty @1 % and is required to pay Central excise duty once again on remelting and manufacture and subsequent clearance.

iv) The process of manufacture of jewellery passes through various processes and involves various types of kaarigars like melting wala, wire and patra wala, jewellery wala, meenakari wala polishwala etc. For movement of goods from one place to another place what type of documents are required to be maintained and when the Central Excise Duty is required to be paid.

Reply : The documents like vouchers , registers which are being maintained for their own purpose for movement of goods are enough. No separate records are to be maintained for Central excise purpose . Central Excise is required to be paid on finished goods i.e jewellery at the time of removal only. If the jewellery are to be removed from the job-workers premises directly the same can be done by following procedure prescribed under Rule 12 AA of the Central Excise Rules 2004.

v) Whether all the Karigars are to be registered.

Reply : No, Karigars are not required to be registered . The principal manufacturer only is required to be registered and comply with the provisions of Central Excise Act.

vi) If we operate under the scheme of Central Excise Duty @12.5% what are the benefits.

Reply: For a jewellery manufacturer inputs would be Gold, precious stones, Chemicals tc and capital goods would be various machines ,

tools which are used in the manufacture of articles of jewellery. Further various services are also utilised during the course of manufacture like designing charges, rental charges, telephone , banking, office expenses, advertisement charges etc . Under 12.5 % scheme the manufacturer can take Cenvat Credit of Central Excise Duty paid on inputs and Capital Goods as well as service tax paid on eligible input services as credit towards payment of Central excise duty of final products. It may be noted that under 1% duty Cenvat credit of duty paid on inputs and capital goods cannot be taken but Cenvat credit of input services can be taken as credit towards payment of Central excise Duty.

(vii) In case of imports of gold whether all the duties of Customs can be taken as credit.

Reply : Countervailing duty i.e CVD and Special Additional Duty paid in lieu of sales tax i.e SAD paid on imported goods can only be taken as credit. Customs Duty paid cannot be taken as credit.

(viii) Usually they are purchasing Gold from the bankers which is imported one. The invoice shows total value with VAT mentioned. However component of CVD/ Central Excise Duty and SAD paid is not mentioned separately . In such case how to take credit.

Reply : The banks can pass on the credit to manufacturers if they take dealers registration under Central Excise and issue cenvatable invoices as per law. Therefore the banks should be requested to issue cenvatable invoices so as to enable them to avail Cenvat credit.

ix) Can a manufacturer adopt two rates of duty i.e 1% (without Cenvat) for some clearances and 12.5 % (with Cenvat) for other clearances simultaneously and pay Central excise duty accordingly.

Reply : No, a manufacturer cannot avail both rates simultaneously in a financial year. At the beginning of the financial year a manufacturer has to decide which stream he has to adopt and pay duty accordingly. Once he chooses to pay 12.5% duty (with Cenvat) he cannot revert back to 1% duty.

x) Whether Education Cess and Secondary Education Cess is required to be paid.

Reply . No, as the same are exempted with effect from 01.03.2015.

xi) If a person is purely engaged in trading activity of jewellery and is above threshold limit of Rs. 12 Crores . Whether he is required to take registration.

Reply : Since the person is doing purely trading activity he need not take registration.

xii) Some of them are also selling loose stones whether Central Excise Duty is required to be paid.

Reply : The levy of duty is on manufacturing activity and not on trading activity . As sale of stones is trading activity Central Excise Duty need not be paid . It was also clarified that the trading turnover need not be added to manufacturer turn over.

xiii) Whether Central Excise Duty is required to be paid on silver jewellery embedded with synthetic stones.

Reply: No. Central Excise Duty is levied on silver jewellery embedded with precious stones i.e Diamond, Ruby, Sapphire or emerald.

xiv) What is the procedure for exports of jewellery.

Reply : A simplified export procedure is available for exempted units as given in Part -III of Chapter III of CBEC's Central Excise Manual. The same need to be followed. Officers have also been directed to facilitate export consignments of jewellery and ensure that the same are not held up or delayed on account of new levy. It was also informed that exports can also be made on payment of duty and rebate of the same can be claimed immediately after effecting exports . The rebate will be sanctioned within three months of filing of complete claim.

xv) If a person is dealing with trading of ready made jewellery as well as manufacturing . Whether separate records are to be maintained

Reply : Yes. Whatever records are being maintained as of now shall be maintained. No statutory records are prescribed.

xvi) If the jewellery is manufactured at Hyderabad which is also head office and sales are taking place at their another office located at Chennai'. How Central Excise Duty is required to be paid.

Reply : Since the manufacturing premises is located at Hyderabad which is registered under Central Excise, Duty is to be paid at Hyderabad Only.

xvii) What is the format of return to be filed.

Reply : A simplified return in Form ER-8 is prescribed which is to be filed on-line on quarterly basis.

Commissioners have also explained that all the procedures and instructions on jewellery are uploaded on their websites and are also available on CBEC website which can be accessed . Further it was also informed that there also exist Help desks in their Commissionerates and all are free to call them for any difficulty. They have also apprised the members of their jurisdiction for taking Central Excise registrations and explained in unequivocal terms that the issue of Central Excise Registration is free of Cost and to avoid middlemen in complying with statutory obligations like taking Central excise registrations, filing of returns etc.

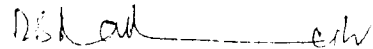
The Chief Commissioner further requested the participants to educate all other members of their association and other associations and clear apprehensions if any in the matter . The Chief Commissioner further requested to approach the senior officers of the department for any clarification and difficulties faced by them. The Chief Commissioner also requested to represent any issues / difficulties faced by them which involves policy matters and the same will be forwarded to Boards office with

recommendations. The Chief Commissioner requested all the participants to start taking central excise registrations and pay Central Excise Duty and not to worry about procedural aspects. The Chief Commissioner thanked all the participants for their active participation.

During the meeting copies of Press Release dated 04.03.2016 in English, Hindi and Telugu, Press Release dated 18.03.2016 , Paper advertisement dated 23.03.2016 regarding Constitution of Sub-Committee, Boards Circular 1021/9/2016-CX dated 21.03.2016, Trade notice dated 23.03.2016 , extracts of Rule 12 AA of the Central Excise Rules 2002 , ER-8 return, copy of trade notice indicating Commissionerate wise jurisdiction and copy of the minutes of the meeting dated 31.3.2016 held with Jewellery Trade & Association were also distributed to all the participants for their information with a request to circulate the same widely in their trade.

This issues with the approval of Chief Commissioner.

Encl : As above



(D. SAI RAMESH)

ASSISTANT COMMISSIONER (CCO)

Copy submitted to :

- 1) The Chairman, CBEC, New Delhi (Kind Attn : Commissioner , DPPR) for kind information with reference to e-mail dated 22.03.2016.
- 2) The Commissioner of Customs, Central Excise & Service Tax, Hyderabad- I, II, III, IV & Customs Commissionerates, Hyderabad for information and for compliance of the directions given against relevant points.