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C.No. IV/16/119/2015-CC-HZ-Tech

DATE: 31.03.2016

**MINUTES OF THE MEETING WITH THE JEWELLERY TRADE/ASSOCIATIONS ON  
LEVY OF CENTRAL EXCISE DUTY ON ARTICLES OF JEWELLERY HELD ON  
29.03.2016**

A meeting of the jewellery trade-industry Associations in Hyderabad and Ranga Reddy District to explain the levy of Central Excise duty on articles of jewellery and assure them hassle free/non interfering tax administration was held on 29.03.2016 at 15-30 hrs, at Hyderabad, which was chaired by Ms. R.Shakuntala, Chief Commissioner. The said meeting was attended by the various Associations 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 and explained to them the basic features and rationale of the levy of 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. It was further explained that :

(i) The Central Excise Duty is an indirect tax which is required to be paid by the manufacturer and collected from the customer.

(ii) The levy is on manufacture of articles of jewellery (excluding silver jewellery, other than studded with diamonds/other precious stones).

(ii) 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 Cenvat Credit is taken on inputs and capital goods .The manufacturers can avail any of the two which ever suits to the manufacturer.

(iii) 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. .

iv) All the statutory requirements are to be completed online like Central Excise Registration has to be taken online which will be issued within two working days, 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 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 .

v) The private records, 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.

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

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

viii) Facility of optional Centralized registration is available .Thus there is no need for a jewellery manufacturer to take separate registrations for all 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) If a manufacturer is dealing with manufacturing activity as well as trading activity which turnover is taken for the purpose of Central excise duty exemption.

Reply : The Chief Commissioner explained that for the purpose of availing SSI exemption only manufacturing turnover is required to be taken . Trading turnover does not attract Central excise Duty and is not to be added to manufacturing turnover.

(ii) At present they are maintaining single records for both trading and manufacturing activity and that in VAT they are showing total turnover of both manufacturing and trading activity . Whether they are required to maintain separate accounts.

Reply : The central excise duty is on manufacturing activity . Trading turnover is exempted . Therefore separate records if necessary need to be maintained for both trading activity and manufacturing activity.

iii) Retailer purchasing from manufacturer on which central excise duty is paid and also shown on the invoice. Shall a retailer is also required to show Central Excise Duty on their invoice separately on their invoice and collect from the customer.

Reply : The retailer/ trader need not show central excise duty separately on their invoice and cannot collect central excise duty

separately. The retailer may factor central excise duty suffered by him to the cost price of the jewellery and show total price including Central Excise Duty and their profit margin on their invoice.

**iv)** Suppose gold value is fluctuating what value is to be adopted for payment of Central Excise Duty .

Reply : Even though Central Excise Duty is on manufacture but for administrative convenience Central Excise Duty is collected at the time of removal. Therefore Central Excise Duty is required to be paid at rate of Central Excise duty prevailing at the time of clearance on the transaction value only.

**v)** 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.

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 .

**vi)** What is Cenvat Credit.

Reply : It is clarified that as in VAT the manufacturer is availing input stage credit as setoff towards payment of output tax on the same lines the assessee can avail central excise duty paid on inputs and capital goods towards payment of central excise duty on their final products. For a jewellery manufacturer inputs would be Gold, precious stones, Chemicals used etc and capital goods would be various machines , tools used in the manufacture of articles of jewellery on which credit can be taken . Further service tax paid on the various services utilised during the course of manufacture like designing charges, rental charges, telephone , banking, office expenses, advertisement charges etc can also be taken as credit towards payment of Central excise duty of final products. It may be noted that Cenvat credit of input services can be taken towards

payment of 1% duty but Cenvat credit of duty paid on inputs and capital goods cannot be taken .

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

Reply : Countervailing duty i.e CVD paid on imports can only be taken as credit. Customs Duty paid cannot be taken as credit.

**viii)** 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 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.

**ix)** If a manufacturer is receiving jewellery from customers for repairs . Is duty required to be paid?

Reply : If the activity of repair involves remelting and remaking resulting in new jewellery amounting to manufacture than only central excise duty is required to be paid. If it is simply fixing of stones and adding some links to the jewellery / polishing etc no central excise duty is required to be paid.

**x)** If a Gold smith collects gold from various customers and manufacturers jewellery is he required to take registration and pay Central Excise Duty.

Reply : The gold smith doing jobwork for any of his customers need not take registration and pay central excise Duty as per Rule 12 AA of the Central Excise rules 2002 as the duty is required to be paid by the principal manufacturers subject to eligibility of SSI exemption.

**xi)** If a person gives gold against bangles to a person who is liable to pay Central excise duty.

Reply : The person who manufactures the bangles is required to pay central excise duty even if the gold is given in exchange of bangles.

**xii)** Whether the work of polishing of jewellery is liable for central excise duty .

Reply : Polishing of jewellery does not amount to manufacture as no new product emerges . Hence not liable to pay central excise duty.

**xiii)** If a customer supplies precious stones and gold for making of some jewellery and pays making charges only who is liable to pay Central Excise Duty and what would be the value.

Reply : In the instant case the principal manufacturer is the jeweller who is supplying inputs for manufacture to the job worker, artisan. Therefore Central Excise Duty is required to be paid by the jeweller only and the value will be sum of value of gold , precious stones and making charges for the purpose of payment of Central excise duty. The jeweller can collect Central Excise Duty from the Customer.

**xiv)** If the jewellery is manufactured and cleared on payment of duty .Later due to fault in design it was rejected and brought back for remelting . What is the procedure .

Reply : 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.

xv) Prior to levy of Central Excise duty i.e before 1/3/2016 if a manufacturer's turn over is above Rs. 12 crores and if wants to stop manufacturing activity after 1/3/2016 is he required to take Central Excise registration.

Reply : If he chooses to stop manufacturing activity and does not have stock of jewellery as on 29.02.2016 for clearance he need not take registration .

xvi) If a manufacturer is having Rs. 4 crores manufacturer turn over and Rs. 8 crores trading turnover up to February 2016 is he required to take registration .

Reply : Only manufacturer turn over is to be taken for the purpose of eligibility of SSI exemption. Trading turnover as well as export turnover need not be added to the manufacturer turn over. If the manufacturer turnover is above 12 Crores during the preceding financial year i.e 2014-15 then the manufacturer has to take registration and start paying Central Excise Duty.

xvii) A manufacturer during the course of sale has to clear jewellery say 10 kgs for approval by the customers. On approval by the customers the jewellery is sold to them say 1 kg to one customer , 2 Kgs to another customer so on. How the Central Excise duty is required to be paid .

Reply : Central Excise Duty is required to be paid at the time of clearance only .After payment of Central Excise Duty only jewellery should be taken out for approval by Customers.

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 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.

In general the participants have stated that they are prepared to pay Central excise Duty of 1% but they are apprehensive that there will be frequent visits by Central excise officers resulting in harassment to which the Chief Commissioner and all the Commissioners assured that there will be no visit by the Central excise officers and if any Central excise officer visits them without authorization the same should be immediately brought to their notice. The Chief Commissioner further requested the participants to educate all other members 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 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 and extracts of Rule 12 AA of the Central Excise Rules 2002 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

  
(M.UMA SHANKAR) 22/3/16  
ADDITIONAL COMMISSIONER (CCO)

To

- 1) All the participants through Hyderabad II Commissionerate.
- 2) Copy to the Commissioner of Customs, Central Excise & Service Tax, Hyderabad- I, II, III & IV Commissionerates, Hyderabad with a request to give wide publicity and for compliance of the directions given against relevant points.
- 3) Copy submitted to Chairman, CBEC, New Delhi ( Kind Attn : Commissioner , DPPR) for kind information with reference to e-mail dated 22.03.2015 .