

# Gold duty hike to increase smuggling



PRITHVIRAJ KOTHARI

BUDGET 2012 has been a disappointing one for the bullion industry. Consider this: import duty on gold will be doubled to 4%; excise duty on branded and non-branded jewellery will increase by 1%; a 2% tax slapped on cash sales of over ₹200,000, although an excise duty of 1% on branded silver jewellery has been scrapped.

Such a move will adversely affect not just the bullion industry and jewellery dealers but also the common man. The government had increased duty in January on gold and silver, hampering bullion business. An additional 2% increase in the import duty on gold has worsened the situation, and we can say that the government has levied this duty on the common man. It's because gold is tradition, gold is culture in India. Gold is bought for auspicious occasions and weddings, as well as for investments. Such decisions will only create a slump in the market.

Moreover, imports are expected to fall by 50% in the next six months, while smuggling and opening up of other illegal channels to get gold in

India will get a boost.

The only positive point is the removal of excise duty on silver branded jewellery. But will that really help? The next thing that can help the industry is that this extra revenue generated through increase in duty is used by the government for creating new hallmarking centres, research and development in the mining sector. The Bullion, gems and jewellery industry needs to be more organised.

The goods and services tax (GST) has been postponed until October. We insist the government implement the GST the earliest. If implemented, it is expected to provide a significant boost to investment and growth of the economy. The GST will have a significant impact on almost all aspects of

businesses operating in the country, including the supply chain, sourcing and distribution, inventory costs and cash flows, pricing policy, accounting systems and transactions management. A flat 1% across India should be levied by the government, which would replace most indirect taxes currently in place.

With increasing competition from China, the government should have encouraged the development and promotion of branded jewellery in the international market for a long-term sustainable growth of the sector. However, the decision to increase the excise duty will squeeze growth of the sector.

■ *The author is president, Bombay Bullion Association, & director, Riddi Siddhi Bullions*