

Gold traders opt for jewellery imports to tackle curbs on bullion

Gold jewellery attracts higher duty but there are no restrictions.

Shishir Sinha

New Delhi, Dec. 29

Gold jewellery imports have suddenly picked up in the last couple of weeks. This is despite the product attracting higher duty compared to gold bullion (bars).

Jewellery merchants confirmed this development. With restrictions on bullion imports hitting supplies and affecting business, the move to import gold jewellery had two advantages, they said.

ADVANTAGES

On the one hand, this helped meet demand, while on the other, jewellers were able to run the business as well as save jobs of artisans. Gold bullion attracts import duty of 10 per

cent, while duty on gold jewellery is 15 per cent.

Jewellers said there were some conditions attached to bullion imports. One is the '80:20 scheme', under which merchants were to re-export 20 per cent of each gold consignment before ordering fresh shipments. This made import of bullion difficult.

Jewellers said the 80:20 condition does not apply to jewellery imports.

Also, imported jewellery comes with 92 per cent purity or even in 18 carats. It is easy for jewellers to import, melt and then make into jewellery according to the taste of Indian buyers. Jewellers said the high premium on bullion makes jewellery imports via-



Consumer demand for gold

in tonnes

	July-September		% change
	2012	2013	
Jewellery	136.1	104.7	-23
Bar and coin investment	83	43.5	-48
Total	219	148.2	-32

Source: World Gold Council

ble even at higher duty. A prominent Delhi-based jeweller said after the duty hike

and imposition of conditions, the premium on gold bullion went up to as high as \$150.

"This prompted more import of jewellery."

CURBS MAY BE LIFTED

But, Pritviraj Kothari of Riddhi Siddhi Bullions feels that the premium will come down soon. However, he agreed that gold supply had been hit and was affecting business.

He appealed to the Government that with the current account deficit narrowing sharply, there was an urgent need to ease restrictions. In fact, signals emanating from the Finance and Commerce Ministries indicate that some of the curbs may soon be relaxed. In order to check the current account deficit, the Government had raised im-

port duty on gold and silver to 10 per cent on August 13. In fact, the duty was raised periodically in the past two years.

IMPORT DUTY

Before January 17, 2012, import duty on standard gold (of purity 99.5 per cent and above) was Rs 300 per 10 gm, which was then converted to ad valorem (part of value) to 2 per cent. This was hiked to 6 per cent on January 21, 2013 and 8 per cent on June 5, 2013. During this period, the duty on jewellery was not revised. However, on September 17, it was raised to 15 per cent from 10 per cent. The Government said this was being done to protect the interest of small artisans.

shishir.s@thehindu.co.in