

# Import duty on gold up 2%, ETFs to be freed

Move will hit hard, but won't curb imports: Jewellers

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THE GOVERNMENT on Monday hiked import duty on gold to 6 per cent from the prevailing 4 per cent to curb growing demand for the yellow metal that investors and householders use to hedge against inflation. The unrelenting demand for gold imports despite rising prices over the past four years has led to ballooning of the current account deficit.

Along with duty hike, the government also announced steps to unfreeze gold physically held by mutual funds under gold exchange traded funds (ETF). The gold physically held by these funds would be released by allowing them to invest in gold deposit schemes of banks. This would also help partially meet the demand for gold by jewellers.

Prithviraj Kothari, managing director, RiddiSiddhi Bullion said the hike in customs duty "would have a loud impact on the bullion sector". The hike sums up to around Rs 60,000 (approx) per kg of gold. To be clear, with this duty hike a difference of 7 per cent between international and domestic prices of the yellow metal is evident, he said.

Bachchraj Bamalwa, chairman, All India Gems and Jewellery Trade Federation said, "Allowing gold



## Tough move

- Physically held gold by ETFs to be released by allowing them to invest in gold deposit schemes of banks
- Along with gold, import duty on platinum has been increased to 6 per cent from the present 4 per cent
- The duty hikes will be reviewed after sometime if there is moderation in imports

ETFs to deposit idle gold with banks is a positive step. But, this will only increase investment demand and defeat the real purpose of curbing imports".

As the world's largest consumer, India imported \$56.5 billion of gold in 2011-12, next only to oil imports that were over \$80 billion. Gold imports touched \$38 billion in the first nine months of the current financial year, forcing the government's act on Monday.

India's current account deficit reached an all-time high of 5.4 per cent of GDP in the July-Septem-

ber 2012, setting alarm bells ringing in the government's 'A' team that manages the economy.

Along with gold, import duty on platinum too was increased to 6 per cent from the present 4 per cent.

Announcing the decision, economic affairs secretary Arvind Mayaram said, "It is difficult to establish the impact (of the tax) on current account deficit and by how much it will come down. But, there will be some moderation in gold demand."