

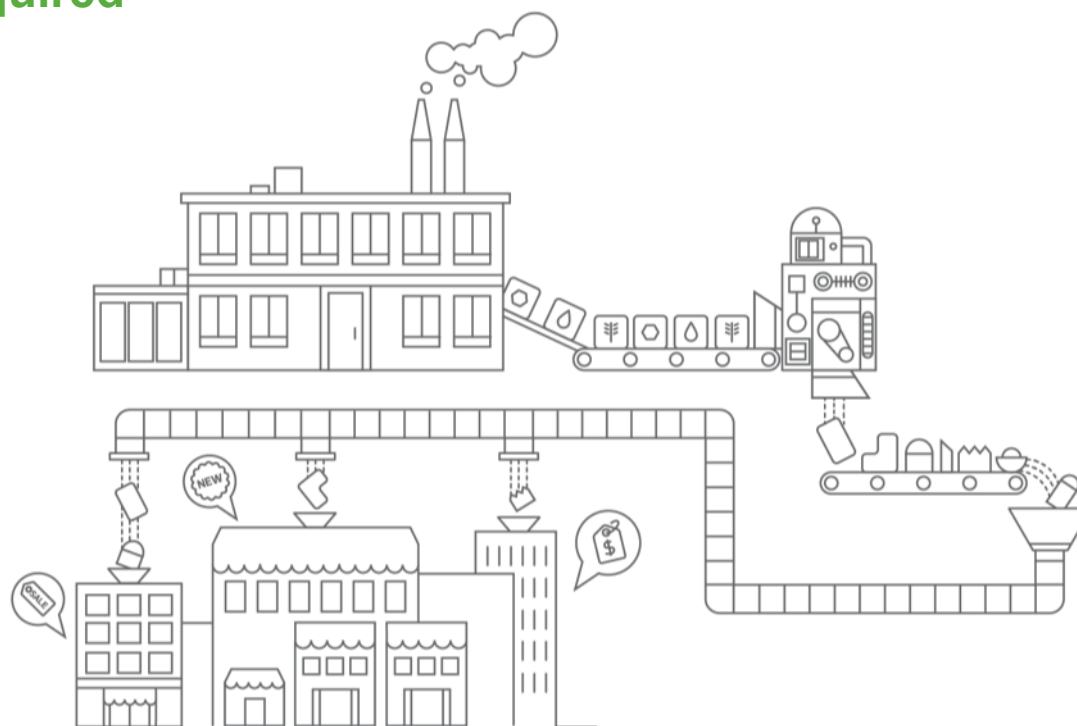
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NEWSFLASH: CENTRAL EXCISE DUTY ON ARTICLES OF JEWELLERY

-Certain key aspects of the Finance Bill, 2016

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1.0 Background

- 1.1 Excise Duty was first imposed on branded articles of jewellery falling under Tariff Heading 7113 of the Central Excise Tariff Act, 1985 vide Finance Bill, 2005. The said levy was subsequently withdrawn vide Notification No.15/2009-C.E., dated 7 July 2009.
- 1.2 The levy of Excise Duty on branded jewellery was re-introduced by the Finance Bill, 2011. Further, vide Finance Bill, 2012 the Excise Duty was extended to unbranded jewellery also. However due to wide protest by industry, the Excise Duty on branded as well as unbranded articles of jewellery was withdrawn.
- 1.3 The Government has again now levied Excise Duty on articles of jewellery with effect from 1 March 2016. This newsflash attempts to summarise some of the significant implications in general on account of the said levy on the manufacture and sale of Jewellery.

2.0 Regulations

- 2.1 Central Excise Duty is generally levied on manufacture of excisable goods in India (i.e. goods which have been listed in the Central Excise Tariff, 1985).
- 2.1.1 **From the regulations, it can be seen that the effective rate of Central Excise Duty (in case, no CENVAT Credit is claimed) would be 1%. In case a manufacturer desires to claim CENVAT Credit, he can do so by making payment of Central Excise Duty effectively @ 12.5%.**
- 2.1.2 **Thus, Basic Excise Duty of 1% (without CENVAT Credit) and 12.5% (with CENVAT Credit) is being imposed on Articles of Jewellery (excluding articles of silver jewellery, other than those studded with diamonds, ruby, emerald or sapphire) effective with effect from 1 March 2016.**



3.0 Registration Requirements

- 3.1 The levy of Central Excise duty is being levied on articles of Jewellery (excluding silver Jewellery, other than studded with diamonds / other precious stones) with an exemption up to Rs. 6 Crores in a year and eligibility limit of Rs. 12 Crores.
- 3.2 As such it seems that Jewellery manufacturer shall be eligible for exemption from excise duty on first clearances up to Rs. 6 Crores on articles of Jewellery (excluding silver Jewellery, other than studded with diamonds / other precious stones) during a financial year, if the aggregate value of domestic clearances (home consumption) from one or more factory or premises of production or manufacture or from a factory or premise of production or manufacture by one or more manufacturers during preceding financial year were less than Rs. 12 Crores.
- 3.3 The Small Scale Industry (SSI) exemption for the month of March 2016 for jewellery manufacturers shall be Rs. 50 Lac subject to condition that the value of clearances for home consumption during FY 2014-15 should not be more than Rs. 12 Crores.
- 3.4 The notification pertaining to SSI exemption has been amended for inserting certain provisions relating to manufacturer of precious Jewellery.



- 3.5 The Government has prescribed that every person or entity who is required to get registered shall do so within a period of 60 days from the date of commencement of levy of Central Excise duty (i.e. 1 March 2016). As such all persons or entities required to get registered shall get themselves registered on or before 30 April 2016.

4.0 Duty Payment

- 4.1 Excise Duty shall be leviable when the excisable goods are being manufactured. However Duty shall be paid when the goods are actually removed from the factory.
- 4.2 The duty payment shall be based on the invoice value of the sales.
- 4.3 The Duty payment for non-SSI Unit shall be made on a monthly basis before the 6th day of the succeeding month. For SSI Units the payments shall be made on a Quarterly basis before the 6th day of the succeeding quarter.
- 4.4 **While generally, the rules provide that the duty payment for the month / quarter ending March has to be discharged by 31 March itself, for the current year (i.e. duty payable for March 2016) as a special case the duty shall be payable along with the excise duty for the month of April 2016.**



5.0 Filing of Returns

A manufacturer is required to **file quarterly return in prescribed form/s**. The said return is required to be filed by 10th of the month following the particular quarter.



6.0 Certain Key Challenges

- 6.1 What does the term “Articles of Jewellery” mean, given that the Central Excise duty is on “articles of Jewellery”?
- 6.2 What does the term “Job-worker” in Central Excise regulations actually mean?
- 6.3 What are the registration and compliance requirements for
- Manufacturer manufacturing on his own account for domestic sales and / or exports?
 - Manufacturer manufacturing on his own account for domestic sales and / or exports and also doing job work (where the principal provides all or majority of the materials) in a B2B and / or B2C situation?
 - Manufacturer only doing job work for his clients? (where the principal provides all or majority of the materials)?
 - Manufacturer manufacturing on his own account solely for exports out of India and / or sale to SEZ units?
 - Manufacturer manufacturing on his own account located in an approved SEZ?
 - Manufacturer having multiple manufacturing locations?



- 6.4 Does the timing difference of providing materials by the principal to the Job-worker alter the nature of the relationship?
- 6.5 Are there SSI exemption / benefits available to Jewellery manufacturers? If so, what are those benefits?
- 6.6 How does one confirm whether registration is required to be done or not? Whether it is for March 2016 or for FY 2016-17? What are the items to be included and excluded while evaluating the registration requirements?
- 6.7 What are the excise duty liabilities on stock of goods (already manufactured) lying in the factory / bonded premises as on 29 Feb 2016 (midnight) and which are cleared on or after 1 March 2016?
- 6.8 What are the regulations applicable for Jewellery manufacturers who are solely into export of their goods and what is the procedure they would need to follow?
- 6.9 What the due dates for payment of taxes, formats of invoices and other mandatory records / registers to be maintained?
- 6.10 What are the valuation principles for the goods on which excise duty will be charged? Will the valuation done be challenged?
- 6.11 What are the registration and bonding procedures and whether there will be visit of Central Excise Officer to the premises?
- 6.12 What are the key Search and Seizure provisions under Central Excise regulations?
- 6.13 Who are the persons accountable for compliances under the Central Excise regulations?
- 6.14 What are the key do's and don't's to be noted by Assessors to ensure that they do not end up violating the regulations which could have serious regulatory non-compliances, implications of which could be criminal liabilities (including prosecution proceedings)?

7.0 Actions Required

Given the significant and far reaching implications from a regulatory perspective on the business, it would be advisable for the Jewellery manufacturers to explore the following

- Do an Central Excise impact study on their businesses to examine the applicability, extent of business that would be impacted, proper understanding of the applicable provisions covering both duties and responsibilities, records and documents to be maintained, duties to be paid and returns to be filed.
- Work out specific list of TO DO actions covering registrations (if required) to be done, charging of duties, reformatting of documents / systems – SOPs etc., payment of duties etc.
- Examine business structuring / re-structuring opportunities to ensure that compliance is done with minimum exposure on the business from a future regulatory de-risking perspective.
- Ensure that proper SOPs are prepared for this function as also provide required orientation / training to the operating employees in this regard.
- Ensure a continuing compliance of this function and periodic internal audit of the same to ensure that there are no non-compliances.



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This newsflash is general in nature. In this News Flash compiled by us, we intend to offer a broad outline of some of the significant implications arising out of levy of Central Excise Duty on articles of jewellery levied by the Finance Bill 2016. In this document, we have attempted to discuss some of the significant aspects for general interest and information. This memorandum note is not an offer, invitation or solicitation of any kind and it does not purport to be comprehensive, or to render legal, economic or financial advice. This memorandum note contains our comments based on our preliminary analysis of legal provisions, which would need further confirmed and may or may not be accepted by the Government / Departmental Authorities. This note should not be relied upon for taking actions or decisions without appropriate professional advice as the facts of each case may be different and have to be studied and the legal positions analyzed appropriately before taking any actions or decisions in the matter. Further, this memorandum note contains only the proposals and amendments as given in the Finance Bill, 2016, which may / may not be modified before it receives the approval and assent of the Parliament and the Hon. President of India. While all reasonable care has been taken in preparation of this booklet, we accept no responsibility for any errors it may contain or for any omissions or otherwise or for any loss, howsoever caused or sustained, by the person who relies on it.

28 March 2016

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