

BUDGET BUZZ

CHANGES RELEVANT TO THE GEMS AND JEWELLERY SECTOR

Budget Proposal

Budget 2022 has placed special emphasis on the growth of Indian gems and jewellery sector and certain key changes have been proposed that go to eliminate recent concerns faced by the Trade, as also create avenues for the growth and development of this industry. The announcement of regulatory framework for e-commerce creates a direct to customer reach for this industry and is a very welcome move.

Key changes proposed in respect of basic customs duty (BCD) rate are set out below:

- Simply sawn natural diamonds (falling under tariff items 7102 21 or 7102 31 00) have been fully exempted from the levy of BCD under S.No. 345A of Notification no. 50/2017-Customs [from the earlier customs tariff rate of 10%]. This was a recent controversy faced by industry members.
- BCD has been reduced from 7.5% to 5% on the following items under Chapter 71:
 - Cut and polished coloured gemstones
 - Diamonds including lab grown diamonds semi-processed, half-cut or broken
 - Non-industrial diamonds including lab-grown diamonds (other than rough diamonds)
- A composite BCD rate of 20% or Rs. 400/kg, whichever is higher, is being applied on all types of imitation jewellery covered under tariff heading 7117.

In addition to the above reductions in duty, the Hon'ble Finance Minister also announced that a simplified regulatory framework will be implemented by June 2022, to facilitate export of jewellery through e-commerce.

ELP's Insights

The above changes indicate the inclination of Government to eliminate hurdles faced by the gems and jewellery sector in undertaking exports of cut and polished diamonds through the import of rough diamonds and other similar inputs required for the unhindered growth and development of the industry. The simplified regulatory framework for export of jewellery through e-commerce will open new avenues and markets for the Indian industry which was facing heavy challenges from other jurisdictions like China, Thailand, Vietnam, etc.

Next Steps:

A study should be undertaken to determine the key challenges faced by the industry in accessing foreign markets, and representations can be made to the Government to factor the same while formulating its regulations.

While the issue regarding the rate of duty has been resolved through the announcement in the budget; the much-needed benign valuation principles that should be made applicable to this industry will go a long way in not only reducing but rather eliminating controversies and concerns faced by the industry at the hands of customs and other regulatory authorities. Concerns of over-valuation in relation to rough diamonds and colored gemstones in respect of both import and export consignments (especially with the increase in trade of lab grown diamonds) has caused significant roadblocks in the smooth functioning of this industry.