

BUDGET BUZZ

Impact on the Gems & Jewellery Industry

Budget Proposal

The G&J Sector, being one of the key export industries has rightly received special attention in every budget, including the present one. A summary of the various changes/ measures announced for this sector are summarized below:

Lab-Grown Diamonds

The Hon'ble Finance Minister in her speech has announced measures, to encourage indigenous production of lab-grown diamonds such as:

- A research and development grant which will be provided to one of the IITs for five years *qua* LGDs.
- The Customs duty on import of diamond seeds has been reduced from 5% to *nil*, when put to use in manufacture of rough lab grown diamond, subject to actual user condition for a period of two years.
- Specific entries are proposed to be inserted for classification of lab-grown diamonds under sub-heading 7104 21 under the Customs Tariff.
- A specific definition has also been inserted for “diamonds” which are classifiable under heading 7104. Such diamonds will now include:
 - Chemically produced stones which have essentially the same chemical composition and crystal structure as a natural diamond; and
 - Stones obtained artificially by various means, *e.g.*, agglomerating, pressing or fusing together (usually with the aid of a blow pipe) fragments of natural diamonds which have generally been reduced to a powder.

Duty Rationalization of precious metals

The BCD and the AIDC /SWS rates have been re-calibrated while maintaining the existing incidence of customs duties on gold, gold dore, platinum. The import duty on silver bar and silver Dore is however being enhanced. New effective rates are as follows:

Commodity	Old Rate	New Rate
Gold Bars	15%	15%
Gold Dore	14.35%	14.35%
Platinum	15.40%	15.40%
Silver Bar	10.75%	15%
Silver Dore	9.21%	14.35%

Duty rationalization of articles of jewellery (precious metal and imitation)

- The import duty on articles made of precious metals falling under CTH 7113 & 7114 has been increased from 22% to 25%. It is however being exempted from SWS, keeping the effective rate of duty at similar level.
- Import duty on imitation jewellery classified under Heading 7117 is being increased from “22% or Rs. 400/kg, whichever is higher” to “25% or Rs. 600/kg, whichever is higher”.

Changes in Customs Tariff

Additional line-items have been introduced in the Customs Tariff for various types of studded jewellery to specify the stones they have been studded with.

Further bifurcation has been provided for sub-heading 7105 10 (dust and powder of diamonds) to specify whether the same is from diamonds of heading 7102 or 7104.

ELP's Insights

These proposals showcase the emphasis provided by the Government on the G&J sector, especially the sunrise industry of LGDs.

While India has a strong presence in cutting and polishing industry for diamonds, and even though LGD is not mine-dependent, significant portion of such LGDs cut and polished in India are imported from countries like USA and China. Given that the industry was looking towards obtaining avenues to boost the growth and development of LGD manufacturing in the country, the measures announced today have the potential to make India *atmanirbhar* in the entire value chain of diamonds, and not be dependent on foreign imports. The specific definition inserted for diamonds under heading 7104 will also provide much needed clarity on the scope of the new specific entry introduced for diamonds under heading 7104.

Further, the insertion of additional line-items in the tariff for Chapter 71 will ensure more robust classification by the trade and provide additional import data collection tools for the industry. These changes in the Customs Tariff should facilitate reduction in controversies given that classification that has recently been plaguing this industry.