

Budget 2023: Highlights of announcements for the Precious Metals Industry



1) Alignment of Customs Duty on Silver and Silver Dore:

Commodity	BCD(%)		AIDC(%)		SWS(%)		Total(5)
	From	To	From	To	From	To	
Gold Bars	12.50	10	2.50	5.00	Nil	Nil	15.00
Gold Dore	11.85	10	2.50	4.35	Nil	Nil	14.35
Platinum	12.50	10	1.50	5.40	1.40	Nil	15.40
Silver Bars	7.50	10	2.50	5.00	0.75	Nil	15.00
Silver Dore	6.10	10	2.50	4.35	0.61	Nil	14.35

2) EGRs exempted from Capital Gain Tax

In order to promote the concept of Electronic Gold, it is proposed to exclude the conversion of the physical form of gold into EGR, and vice versa by a SEBI-registered Vault Manager from the purview of 'transfer' for the purposes of Capital gains. It is also proposed that the cost of acquisition of the EGR for the purpose of computing capital gains shall be deemed to be the cost of gold in the hands of the person in whose name Electronic Gold Receipt is issued, and the holding period for the purpose of capital gains would include the period for which the assessee held gold prior to its conversion into EGR. Similarly, provision for conversion from gold to EGR is also proposed."

3) Gold Jewellery: Hike in import duty

The import duty on articles made of precious metals falling under CTH 7113 and 7114 is increased from 22% to 25%. It is, however, being exempted from SWS. The import duty on intimation jewellery classified under heading 7117 is being increased from 22% or INR 400/ Kg to 25% or INR 600/ Kg, whichever is higher. It is, however, being exempted from SWS.

4) Lab-Grown Diamonds:

The BCD on seeds for use in the manufacture of rough lab-grown diamond is being reduced to nil subject to IGCR condition for a period of two years. A Grant of INR 242 crore has been given to IIT- Madras to promote R&D on LGD

Experts view on the Union Budget- 2023

Mr Prithviraj Kothari, President, India Bullion & Jewellers Association

I feel that the union budget is excellent for growth, employment creation and welfare of the people. It would make India stronger, coming specifically to bullion and jewellery sector, in my understanding I feel, employment creation and exports are the only focus areas of the government of India. The industry should take the message seriously and work with the government closely on these two agenda.

Higher customs duty on gold and silver would put further strain on the viability of trading business and to some extent on jewellery manufacturing, as more capital needs to be deployed. Demand for jewellery during the current season has not picked up despite record number of marriage days. The industry needs to find a solution.



Mr Saiyam Mehra, Chairman, GJC

We thank Honourable FM Shri Nirmala Sitharaman ji for presenting a well-balanced Union Budget 2023-24, focused on the spirit of Amrit Kaal. Key announcements such as Income tax- rebate extended on income up to Rs 7 lakhs in new tax regime, increase in outlay of PM Awaas Yojana is a big relief for the middle-income group. However, the Gems & Jewellery Industry's critical concerns are not addressed in the Union Budget 2023-24. While the Research and Development grant will be provided to one of the IITs for the development of Lab Grown Diamond seeds and machines, the other sectors of the industry have been ignored. The reduction in Gold Custom Duty in this Budget was our big expectation, which has severely hampered the industry and encouraged smuggling and grey market. GJC has been actively representing the reduction in customs duty of Gold over past many years. However, the Silver Dore Bars Custom Duty has been brought at par with Gold and platinum in this budget. This move will adversely affect the masses. GJC will continue to represent this important issue of the Industry. We are having a meeting with Honourable FM on 4th February at Mumbai, in which we shall once again stress upon the important concerns such as reduction in custom duty, EMI on Jewellery, Relief in Capital Gain tax and Gold Monetisation Scheme etc.



Mr Surendra Mehta, Secretary, IBJA

“Silver dore are usually part of Gold dore. Since the duty on silver dore technically was earlier 14.35% but the duty on silver bars was only 10.75%, it was technically not possible to recover differential duty of 3.6% through sale of silver bar.” Hence, it was our demand to bring duty on silver bars parallel to gold bars. We are happy that same has been accepted in budget 2023 by Hon. Finance Minister.

Since the rupee has been constantly weakening and CAD at its peak which is being major concern for govt, due to expected recession, the demand for reduction in duty on gold was not considered by Hon. Finance Minister. This has been really disappointing for industry as more duty encourages illegal import which helps unorganised and non-transparent players. The hike in import duty of jewellery from 22% to 25% will not impact much as import of jewellery is miniscule in comparison to import of bullion. In the country it will help domestic manufactures.



Mr Satish Bansal, President, Association of Gold Refiners & Mint

We thank the finance minister for considering our suggestion for aligning import duty on silver bullion with that of silver content contained in gold Dore. About 5% to 40% silver is present in gold dore imports. Earlier, silver content in gold dore was being subject to import duty of 14.35% by the customs, while silver bullion had a lower duty of 10.75%. Thus, the refiners were suffering a loss. The budget has corrected the anomaly.



Mr Jayantilal Challani, President, The Jewellers and Diamond Traders Association, Chennai

The Union Budget proposed for 2023-24 was a mixed bag for Gems and Jewellery Industry. The conversion of physical gold to Electronic Gold Receipt and vice versa will not attract any capital gains is a positive move and the government recommendations to promote indigenous manufacturing in the upcoming Lab Grown Diamond sector is much welcomed. On the other side, sticking to 10% as Basic Customs Duty would be definitely encourage the grey market .The thriving grey market has diluted efforts to reduce cash transactions and penalizes organised and compliant players. Reduction in customs duty on gold was most anticipated but it was not addressed. This might severely hamper the industry and encourage again the grey market.



Mr James Jose, President, Hallmarking Federation of India

The 2023 Union budget has exempted capital gain tax for converting physical gold to EGR, which is a welcome step in encouraging the recirculation of idle gold holdings at the commodity exchanges, thereby reducing imports. However, without a corresponding announcement of a hassle-free deposit of 500 gms of gold for households, the expected inflows of old gold into EGR may not happen.



Many of the long pending demands of the gold refining industry, which are revenue neutral, such as the permission to import gold Dore from Dore aggregators abroad, remain unanswered. The 1% import duty disparity on bullion under the India UAE-CEPA and the continuously prevailing price discounts of 6 -10% on bullion coming from the grey market have practically spelt the death knell of the domestic gold refining industry. It is disappointing that the industry demand to reduce import duties considerably so as to disincentive unofficial supplies has not found favour with the govt.

Mr Haresh Acharya, Director, Parker Precious Metals

The government has introduced a stable budget. It has made all the duties of precious metals equal. Also, they have increased the duty for silver by 5%. This is a long-term plan of the government to stabilize the precious metal market. Looking at the volatility of the market, this is a good approach. With time we will see the market will catch up with these changes. Continuous and uneven changes in duties have multiple effects on the market. Some traders gain, whereas many lose. I hope if this equal duty on all the precious metals remains for a longer period of time, it will benefit all. In my opinion, if the incentive and duty will remain constant for a longer time, it will result in healthy competition in the market.

**Mr Shailesh Choksi, Managing Director, Choksi Heraeus**

Overall, the union budget for 2023-24 is growth oriented. We commend the government for continuing its push on manufacturing, renewables and job creation. The increase in import duty of silver may not have any major impact on the industrial demand for silver, as silver is usually a small fraction of the cost in many products. The case may be different for silver jewellery and silver articles.



Mr Chirag Thakkar, Director, Amrapali Gujarat

In India, about 50 to 60% of silver goes for manufacture of jewellery and silverware, providing employment and export opportunities. Most of these manufacturers are small artisans. About 10 to 20% silver goes for manufacture of industrial products such as silver contact, brazing alloys, silver paste and so on. Thus, silver is an essential raw material for further value-addition by the industry. Therefore increasing customs duty on silver will result in restricting imports of silver into the country and will affect the competitiveness of Indian manufacturing which will have cascading impact on final price !!!



Mr Rahul Mehta, MD, Silver Emporium

Consumers will not be happy with the increase in the silver duty, which will lead to an increase in silver prices in the domestic market. Silver has always been a preferred investment for the common man. Indian silver market is growing, and with continuous education on quality to consumers, quality standards of silver articles are improving in India.

With the record import of silver this year, we expect demand to slow down in the coming months due to higher silver prices.



Mr Bhavik Chinai, Group CEO, BVC Logistics

The overall budget for 2023-24 has been neutral towards business and positive towards individuals. The announcement to develop 50 new airports and helipads, once ready, will make secure logistics significantly faster and safer. The huge infrastructure investment bumped up to 10,000cr by 33% will have a positive cascading effect on all industries, provide more employment and thereby increase the circulation of money in the economy. The reduction in Import duty on Seeds for Lab-grown diamond manufacturing will accelerate India's rise to a global manufacturing leader in the entire diamond industry, lab grown as well as natural.

Other ease-of doing-business initiatives like making PAN the universal company identifier, reducing compliances & more commissioners for faster dispute resolution are highly positive for improvement in day-to-day functioning for businesses. For the logistics & jewellery industries, we look forward to implementing this budget positively.





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