

FAQ ON CENTRAL EXCISE DUTY ON ARTICLES OF JEWELLERY

(Ganesh K.S. Iyer, Advocate, Swamy Associates)

- 1) Whether excise duty will be applicable to all the Jewelers?

Excise Duty is on manufactured excisable goods. It will be applicable to the Jewelers who manufacture articles of jewellery (excluding silver jewellery, other than studded with diamond/other precious stones).

- 2) Whether excise duty will be applicable to the job workers (artisans, to whom the Jewelers supply gold and get the ornaments manufactured)? If yes, whether the job worker will also be required to take registration?

Normally, excise duty is payable by the actual manufacturer. As per Rule 12 AA of the CE Rules, 2002, the principal who gets the articles of jewellery manufactured by job workers, can register himself and pay duty, instead of the job workers.

- 3) What are the items on which excise duty is applicable?

Excise duty is applicable on all articles of jewellery (excluding silver jewellery, other than studded with diamonds/other precious stones).

- 4) What are the items covered under "articles of jewellery?"

The expression "articles of jewellery" means:

(a) any small objects of personal adornment(for example, rings, bracelets, necklaces, brooches, ear-rings, watch-chains, fobs, pendants, tie-pins, cuff-links, dress-studs, religious or other medals and insignia); and

(b) articles of personal use of a kind normally carried in the pocket, in the handbag or on the person (for example, cigar or cigarette case, snuff boxes, cachou or pill boxes, powder boxes, chain purses or prayer beads)

These articles may be combined or set, for example, with natural or cultured pearls, precious or semi-precious stones, synthetic or reconstructed precious or semi-precious stones, tortoise shell, mother-of-pearl, ivory, natural or reconstituted amber, jet or coral.

5) Whether excise duty will be applicable on traded goods?

Excise duty is applicable only on manufactured excisable goods. No excise duty will be applicable on traded goods. In other words, if articles of jewellery is purchased by A and sold, A is not required to pay any excise duty.

6) What is the point of taxation for levy of excise duty, whether on manufacture or sale?

Excise duty is on manufactured goods and is payable at the time of clearance from the factory/manufacturing premises and paid at the end of the month. The duty payable during the month has to be paid by the 6th day of the following month in case the duty is paid electronically through internet banking and by the 5th day of the following month, in any other case. For the month of March, Excise duty has to be paid on 31st March.

However, it has been clarified that as a special case for the month of March, 2016, the jewellers are permitted to make payment of excise duty for the month of March 2016, along with the payment of excise duty for the month of April, 2016 i.e by 5th

or 6th of May, 2016 as the case may be depending upon the mode of payment as mentioned in the preceding para.

7) When should the registration to be obtained?

Central Excise registration has to be obtained when the turnover crosses the specified exemption limit. However a manufacture of excisable goods can obtain registration from beginning and pay Central Excise duty without claiming exemption.

Registration of the establishment can be taken within 60 days from 1st March, 2016.

8) What is the exemption limit?

If the turnover of a Jewellery unit during preceding financial year was less than Rs.12 crores, he will not be liable to pay the excise duty during the next financial year upto a turnover of Rs.6 crores. Such small Jewellers will be eligible for exemption upto Rs.50 lakh for the month of March, 2016, if their turnover is below Rs.12 crores during 2014-15. The trading turnover is not to be considered for the purpose of computing the eligible turnover in the preceding financial year and the next financial year.

For e.g. If the total turnover of the jewellery unit is Rs. 15 crores for the year 2014-15 which comprises turnover of

- In house manufactured articles of jewellery of Rs.8 crores;
- Articles of jewellery got manufactured through jobworker/goldsmith of Rs.3 crores; and
- Trading turnover of jewellery of Rs.4 crores.

The unit would be eligible to claim exemption upto Rs.50 lakhs for the month of March, 2016. Further if the total turnover is below 12 crores in 2015-16 in respect of only in-house manufactured articles of jewellery and articles of jewellery got

manufactured through jobworker/goldsmith they will be eligible to claim exemption upto Rs.6 crores during 2016-17.

9) How will the exemption be determined?

A certificate from a Chartered Accountant, based on the books of accounts for 2014-15 and 2015-16 respectively will be sufficient for determining eligibility for claiming the exemption for the month of March 2016 or financial year 2016-17.

10) What is the procedure for registration?

The manufacturer will have to apply online providing the details in the specified form A-1. The manufacturer will have to login in the website www.aces.gov.in and submit the online registration after filling all the details. A hard copy of the certificate generated online will have to be submitted along with other documents.

11) What documents will be required for registration?

The following self attested documents are to be submitted after filing the online registration

- Plan of the factory premises
- Copy of the PAN card of the proprietor or the legal entity registered.
- Photograph and Proof of the identity of the applicant.
- Documents to establish possession of the premises to be registered.
- Bank account details
- Memorandum or Articles of Association and List of Directors
- Authorization by the Board of Directors or Partners or Proprietor for filling the application by a third party.

Please see the details at the end of FAQ.

12) What is the time span required for registration?

Registration once applied online shall be granted within two working days.

13) What about the sales done till the registration is obtained?

Once the manufacturing turnover crosses the exemption limit, Central Excise duty will have to be paid as per the prescribed rate of duty i.e 1% or 12.5% (with full cenvat credit). It has to be ensured that Central Excise Registration is obtained as when the exemption limit is crossed. Once application is filed online, the jewellers may quote the Pan based registration number generated online on their sales invoices and accordingly effect clearances charging excise duty to the customers.

14) Whether the jewellers are required to submit details of stock on 29th February 2016? If yes, is there any specific format in which it is to be submitted?

No stock declaration is required to be submitted to the jurisdictional Central Excise authorities. However Jewellery manufacturer shall keep a stock declaration of finished goods, goods-in-process and inputs as on 29.2.16 in their records duly certified by a Chartered Accountant so as to enable manufacturer to claim Cenvat credit on inputs or inputs contained in goods lying in stock if he so desires.

15) Will excise duty be applicable on stock of jewellery on 29th February 2016 when it is sold and if yes, how to justify whether such sale is out of trading stock or manufactured stock?

Excisable goods which were produced on or before 29.2.16 in house but lying in stock as on 29.2.16 shall attract excise duty upon clearance on or after 01.03.2016. It will be based on the records already being maintained by the jewellery unit.

The articles of jewellery manufactured and cleared by the job workers to the premises of the Jeweller on or before 29.02.2016 and clearances made out of such stock on or after 01.03.2016 shall not attract the levy of excise duty, as the goods were cleared from their factory of manufacture, prior to 01.03.2016.

16)What is the rate of excise duty?

Excise duty of 1% (without CENVAT credit on inputs and capital goods. Input service credit can be availed) or 12.5% (with CENVAT on inputs, capital goods and input services) is applicable on articles of jewellery(excluding silver jewellery, other than studded with diamond/other precious stones).

17)What is the value on which excise duty is to be charged?

Payment of Central Excise duty will be based on first sale invoice value. Excise Duty will be charged on the transaction value on the date of clearance. In case the gold is provided by the customer the value of gold will also have to be taken into consideration for the purpose of computation of Excise duty as on the date of clearance to the customer.

* The Central Excise authorities will accept the valuation given in the invoice provided the caratage/purity and weight of the gold/silver with precious stones; and carats of diamonds/precious stones are mentioned on the invoice.

18) Whether collection of excise duty is allowed from the customers by charging it separately in the invoice? Is collection of excise mandatory or is it possible for jeweller to issue invoice inclusive of excise?

Excise duty is to be recovered from the customer by billing the customer the amount of excise duty on the transaction value. The jeweller can also raise an invoice by issuing an invoice mentioning that the amount is inclusive of Central Excise duty.

19) How is the Excise duty to be paid?

Central Excise duty has to be paid online by accessing the website www.aces.gov.in.

20) What is the periodicity for payment of Excise duty?

The Central Excise duty is payable for the clearances of excisable goods made during a particular month by the 6th day of the following month in case the duty is paid electronically through internet banking and by the 5th day of the following month, in any other case.

21) Whether any return is to be filed? If yes, what is the periodicity for filing the return?

Yes. Jewellery manufacturers have to file a quarterly return (ER-8). (Return for the quarter ending March, 2016 has to be filed in the month of April, 2016 i.e by 10th of April, 2016. Without the Central Excise registration return cannot be filed as the registration can be taken within 60 days from 1st March, 2016)

22) What is the information to be provided in the returns? Whether only manufacturing purchases and sales are to be reported or the total turnover needs to be reported?

Only details of manufactured goods are to be provided in the returns.

23) What are the books of accounts and statutory registers to be maintained under Excise Act?

Private records of jewellery manufacturers, giving details of daily stock for his own purpose (pertaining to manufactured goods) shall be accepted by the department. Documents being maintained by jewellery manufacturers for State VAT or Bureau of Indian Standards (in the case of hallmarked jewellery) shall be sufficient for excise purpose.

24) Whether any audit needs to be done for excise purpose and if yes, who is entitled to conduct the audit and what are the provisions relating to the audit?

Audit of the records of the manufacturer will be subjected to audit by the proper officer assigned the audit work by the competent authority as provided in the Central Excise Act and rules made there under. Normally the audit team comprises of Inspectors, Superintendents of audit headed by an Assistant commissioner/Deputy Commissioner. Details of the audit process and procedure are covered in the EA-2000 audit manual.

*The Central Excise officers will not visit the manufacturing unit/shops/place of business/residence of the jewellers.

25) Whether cenvat credit availed on goods and services can be utilized against excise duty payable?

Cenvat credit availed on goods and services can be utilized if the manufacturer opts to pay Central Excise duty @12.5%. If the manufacturer opts to pay Central Excise duty @1%, he cannot avail cenvat credit on inputs and capital goods but can avail cenvat credit on input services.

26) Whether invoicing will be required in duplicate/triplicate/quadruplicate?

The invoice shall be prepared in triplicate –

- The original copy being marked as "ORIGINAL FOR BUYER"
- The duplicate copy being marked as "DUPLICATE FOR TRANSPORTER"
- The triplicate copy being marked as "TRIPLICATE FOR ASSESSEE"

27) Whether separate registration will be required for manufacturing units and trading units?

Central Excise Registration has to be obtained only for the manufacturing premise(s).

28) Is it advisable to have one manufacturing concern registered in excise and all other trading concerns in a group, so that Central Excise can be focused on one entity only? What are benefits and drawbacks in such planning?

It is advisable to take registration of all the units where manufacturing activity is carried out. Further facility of centralized registration has also been provided for jewellery manufacturers with centralized billing or accounting system. There is no need to take registration for trading concerns.

29) What are the rights and duties of the Excise department during the course of survey?

The Central Excise officers have been directed not to visit the premises of Jewellery manufacturers. From the query it appears that the survey is the terminology used in Income Tax. In Central Excise Act, there is no survey procedure but search procedure is specified wherein the officers of the department can conduct search of any manufacturing premises and any other premise based on search authorisation. Search Authorisation is only given when there is some specific intelligence of evasion of duty.

* The Central Excise officers will not visit the manufacturing unit/shops/place of business/residence of the jewellers. No arrest or criminal prosecution of any jeweler will be done. No search or seizure of stocks by any Central Excise official will be effected.

30) Whether excess jewellery found during the course of survey/search can be seized?

Yes. Burden of proof is on the jewellery unit to justify the quantum of excess/short jewellery by way of records being maintained by them.

* No arrest or seizure of stocks by any Central Excise official will be effected.

31) What will be the impact if jewellery found during the search proceeding is short?

It will be the responsibility of each jewellery unit manufacturing excisable goods to maintain record of the excisable goods manufactured by them by keeping an account of raw materials, work-in-process and finished goods. If there is any shortage of jewellery manufactured noticed during search, proceedings will be initiated for recovery of Central Excise duty along with interest and penalty against the unit in accordance with the provisions of Central Excise Act and the Rules laid therein.

32) Every jeweller has gold deposits from customers and related parties and concerns. How to disclose these items for the purpose of Central Excise?

No stock needs to be furnished to the Central Excise department. However, it is advisable to maintain these details separately in the stock register maintained by the unit for internal accounting. In case this gold is used for manufacturing jewellery, appropriate Central Excise duty will have to be paid at the time of clearance.

33.) What is the terms of reference of Sub-Committee of High Level committee constituted to study certain difficulties faced on the Imposition of Central Excise duty on Jewellery?

The Terms of reference of the Sub-Committee will include issues related to compliance procedure for the excise duty, including records to be maintained forms to be filled including Form 12AA, operating procedures and any other relevant issues after receiving representation from the various associations and all India association.

* Certain relaxation in the Central Excise provisions are given till the sub-committee submits its recommendation. Sub-Committee will submit its report within sixty days of its constitution.

DOCUMENTS FOR CENTRAL EXCISE REGISTRATION

1. Copy of PAN card of the company/firm.
 2. Ground plan of factory (which should also provide description of boundaries of premises to be registered).
 3. Shop Act registration copy.
 4. Address Proof of Business Premises of the firm/company (Electricity Bill / Phone Bill / Gas Bill).
 5. Details of Property Holding Rights of the registrant (if not self owned then Rent Agreement).
 6. If Business Premises and Head Office of the company is different then Address Proof of Head Office also.
7. PAN card copy of authorized signatory.
 8. Details of bank with a cancelled cheque of the bank in which business transaction is normally carried
 9. Copy of PAN Card and Address proof of all the directors/partners.
 10. Copy of Memorandum and Articles of Association/Partnership deed
 11. Details of Proprietor/Partners i.e Name and address
 12. General power of attorney (in case application is signed by authorized agent).
 13. Whether opting for centralized registration. If yes addresses of all other manufacturing premises which has a centralised billing or accounting system in respect of such specified goods manufactured or produced by different factories or premises and opts for registering only the factory or premises or office, from where such centralised billing or accounting is done.
14. Certificate of
 - Customs Registration No.(BIN)
 - Import Export Code
 - State Sales Tax No.
 - CST No.
 - Company Index No.

These cert

All Documents should be self attested by authorized signatory and two sets to be submitted