

Procedure for Jewellery Industry

Excise duty was imposed on article of jewellery in the Union Budget 2016-17. There were many apprehensions of the trade and industry regarding taxability, valuation, exemption, removal procedures, documentation and interventions by departmental officials. The government had constituted high level committee to make suggestions on critical aspects. The committee had made its suggestion last month and accepting the suggestions made by committee, government has come out with necessary simplifications and clarifications in the law and procedures. Relevant Notifications have been issued to give legality to the recommendations of the committee. One of such important major announcement made is notifying the **Articles of Jewellery (Collection of Duty) Rules, 2016**. Important clarifications and their practical implications are as below:

Some of the major relaxation provide in the Rules/notification/circulars are

Registration

1. Assessee engaged in the manufacture or production of the articles shall be eligible for SSI exemption, if his aggregate value of clearance of all excisable goods for home consumption in the preceding financial year, computed as per notification no 08/2003 did not exceed Rs. 15 crore. The exemption can be claimed upto Rs. 10 crore of clearance in current FY.

Eg: For financial year 2015-16 if the Turnover below Rs. 15 crore the manufacture can claim SSI exemption upto Rs. 10 crores for FY 2016-17. After crossing Rs. 10 crore in the FY 2016-17 manufacturer has to collect Excise duty and pay to the government.

2. For the Month of March 2016 the manufacturer whose turnover is below Rs. 85 lakhs (subject to not crossing Rs. 15 crore in previous FY) are exempted from registering under excise, if manufacturer turnover crosses Rs. 85 lakhs he has to register under central excise and follow the procedure.

Exemption

3. The regular rate of excise presently 12.5% if CENVAT credit claimed by the manufacturer. If manufacturer opt for 1% duty as per notification no 12/2012 dated 17.03.2012 as amended, he is not eligible to claim the cenvat credit on inputs and capital goods but he will eligible to claim credit on the input service.
4. If manufacturer is also engaged in trading of jewellery articles and wishes to claim input service credit, he has to follow Rule 6 of Cenvat Credit Rule i.e. credit may be taken proportionate to the taxable turnover to total turnover.

5. The notification no 27/2016 CE dated 26th July 2016 further provides exemption to manufacture if he manufactures jewellery from jewellery provided by a retail customer or by mounting of precious stones provided by a retail customer. The excise duty shall be applicable only on the material added by manufacturer and his jewellery making charges.
6. For claiming exemption under notification no 27/2016 dated 26th July 2016 manufacturer has to maintain the following records namely;
 - a. Name and address of the retail customer;
 - b. Weight and purity of the jewellery, weight of precious stone provided by the retail customer;
 - c. Receipt number and date;
 - d. Issue voucher number and date of sending such jewellery or precious stones to a job worker or to the manufacturing premises of the jeweller himself; and
 - e. Value addition, including cost of additional materials and labour charges, charged by the jeweller, which shall also be mentioned separately in the invoice issued to the retail customer.

Payment

7. Normally the excise duty is applicable at the time of removal of excisable goods from the place of manufacture, but in case of jewellery the rate in force on the date when such articles are sold for the first time by the manufacturer or principal manufacture shall be taken.
8. The duty to be paid by the 6th of the following month if paid through electronically and in other case 5th of the following month, where the articles are sold for the first time by the manufacturer or principal manufacturer, as the case may be, from his registered premises or centrally registered premises. For the month of March, the duty to be discharged on 31st day of March.
9. If assessee availing SSI exemption based on value of clearance the due date for making payment is 6th day of the month following the quarter if the duty is paid through electronically and in any other case 5th day of the month.
10. For the period March, April, May and June of 2016 the due date for discharging excise duty liability is 31st July 2016.
11. If assessee fails to pay the amount of duty by due date, he shall liable to pay outstanding amount along with interest at 15%p.a. presently.
12. If assessee does not discharge declared amount within period of one month from the due date, then he his liable to pay the penalty at the rate of 1% on the amount of the duty not paid.

Return

13. The manufacturer has to file monthly returns in ER-1 by 10th of the following month, if they opt to avail the cenvat credit and discharge excise duty @ 12.5%.
14. If manufacturer has opted for 1% duty, then they are eligible to file ER-8 by 10th of following quarter.

Invoice

15. Articles to be removed on invoice only and it should be duly signed by the assessee or his authorized agent and shall be serially numbered, should contain registration number, name of the consignee, description of articles, classification and date of removal by sale.
16. Invoice should show value of manufactured and traded articles separately so as to arrive at the excise duty payable on the manufactured articles.
17. Invoice shall be prepared in duplicate original copy for buyer and duplicate for assessee and should be marked in the invoice.

Books of accounts to be maintained

18. Assessee shall maintain separate records for receipt and sale of manufactured and traded articles, indicating the particulars description of the manufactured articles, on a daily basis in a daily stock account in electronic form also.
19. The documents for manufactured articles including records showing receipts or articles manufactured or received back from job worker's premises, quantity of manufactured articles sold for home consumption, for exports or any other documents shall be preserved for a period of 5 years immediately after the financial year to which such records pertain in electronic form also.
20. The assessee shall preserve the all records and documents maintained for traded articles, including records showing value of their traded stock for 5years immediately after the financial year to which such records pertain in electronic form also.

Job work

21. The principal manufacturer shall send articles for jobworker for job work under a challan, issue voucher or any other document which shall contain the following details, duly signed by the principal manufacturer or his authorised agent.
 - a. Name and registration number of the principal manufacturer
 - b. Description and quantity of inputs or articles
 - c. Name of the person carrying the input or articles along with his signature and proof of identity
 - d. Date of supply of inputs or articles.

22. Principal manufacture should maintain records for the inputs or articles received back from the job worker against the inputs or articles supplied to job worker.
23. Job worker is not required to take registration or maintain any documents in relation to the processes undertaken as job worker.
24. If any articles are lost, destroyed, found short at any time before the sale, the principal manufacturer shall be liable to pay duty thereon as if such articles were sold for home consumption at a value equal to cost of raw material plus job charges paid if the articles manufactured on job work basis. In any other cases the value of such articles shall be the value of raw materials plus the making charges charged by the manufacturer for similar articles.

Removal of inputs or semi-finished articles or finished articles for certain purposes

25. Manufacturer or principal manufacturer, may remove any inputs or semi-finished articles or finished articles for further processing, testing, repair, re-conditioning, hallmarking, display in exhibitions or for any other purpose including as samples, to some other premises, without payment of duty, if such removal does not involve as sale, under a challan, issue voucher or any other document prepared by him for this purpose. The challan or issue voucher or any other document shall contain the following details
 - e. Name and registration number of the principal manufacturer
 - f. Description and quantity of inputs or articles
 - g. Name of the person carrying the input or articles along with his signature and proof of identity
 - h. Date Removal.
26. If any duty paid articles received for certain processes the manufacturer shall state the particulars of such receipt in his records as if they are traded articles and account for them in the trading stock account, provided no refund of excise duty is claimed.

Optional Scheme

27. If manufacturer dealing in both manufacture and traded articles, he may also pay excise duty on his first sale value, by treating his first sales during the month solely as sale of manufactured articles.
28. The option has to be opted by the manufacture by giving a written declaration to the excise authorities having jurisdiction before 28th February of the previous financial year. for the financial year 2016-17, such written declaration may be given to AC or DC of CE by 31st day of July, 2016.
29. For March 2016 such declaration can be given on 31st of July 2016. The option opted is valid for whole financial year for which the manufacturer has submitted

30. For availing this the manufacturer or principal manufacturer shall maintain
- i. A record containing the stock details of manufactured articles and traded articles separately for silver studded articles; gold or platinum articles studded with diamonds; and other gold or platinum articles, on weight or caratage basis; and
 - j. A record of the value of such traded articles separately at their purchase prices.
31. Opening stock, sales and closing stock of three types of articles referred above shall be calculated separately for assessing the ED payable during the month
32. The sales in excess of opening stock of manufactured articles, during the month shall be deemed to be sale out of the opening stock of traded articles on which no excise duty shall be payable.
33. If sales during the month are in excess of the opening stock of the manufactured articles and opening stock of traded articles, then such excess sales shall first be deemed to be that of manufactured article received during that month and the balance, if any shall be deemed to be that of traded articles received during the month.
34. If sales during a month are less than the opening stock of manufactured articles, then the balance stock of manufactured articles shall be carried forward and the opening stock of manufactured articles for the succeeding month shall be the sum total of such carried forward stock of manufactured articles and quantity of manufactured articles received from the job worker's premises or manufactured during the month.

Slow moving Stock

35. Assessee maintaining separate stocks of manufactured and traded articles and showing the value of such manufactured and traded articles separately in his first sale invoice shall treat his dead stock as that of manufactured article or traded articles depending upon whether such dead stock is part of his stock of manufactured articles or traded articles as the case be.
36. If assessee opts to pay excise duty as per the optional scheme at the end of particular return cycle, the cumulative sales for three types of articles, namely 'silver studded articles; 'gold or platinum articles studded with diamonds' or 'other gold or platinum articles', as the case may be, on which duty has been paid or which have been exported till the end of that return cycle are more than or equal to the cumulative receipts of manufactured stock of such articles till the end of the return cycle, then the whole of the dead stock of such articles would be deemed to be that of traded articles.

37. If assessee opts to pay excise duty as per the optional scheme, the cumulative sales, of a particular type of articles on which duty has been paid or which have been exported till the end of a particular return cycle are less than the cumulative receipts at the end of such return cycle, equal to the difference between the cumulative receipts of manufactured stock and the cumulative sales till the end of such return cycle shall be deemed to be that of manufactured articles and balance if any considered as that of traded articles.

Conclusion: The government has overhauled the excise law and procedures therein to a great extent realising the peculiarities of the industry. New provisions announced by government are likely to streamline the imposition of excise duty on jewellery sector.

- CA Keshav Murthy