

Notices for Rs 225-cr duty evasion on Thai jewellery

The government is issuing tax notices to about 300 traders who “wrongly” imported gold from Thailand last year and evaded Customs duty to the tune of Rs 225 crore. The move follows raids on several jewellers by the Directorate of Revenue Intelligence over misuse of the India-Thailand bilateral trade pact.

Under a free-trade agreement between India and Thailand, gold jewellery imported from the neighbouring country — if at least 20 per cent value addition was done in Thailand — was taxed at a concessional rate of one per cent in India. Imports from other countries attracted 10 per cent duty until it was raised to 15 per cent in September to protect the domestic industry from cheaper imports.

Earlier this year, India banned the preferential treatment on import duty after revenue authorities found jewellery sourced from various other countries was being routed through Thailand to evade duty. A finance ministry official, who did not wish to be named, said some traders had agreed no value addition had been done in Thailand and that certificates of origin had been wrongly procured from Thai authorities. “Most importers accepted value addition could not be 20 per cent. Gold prices are same everywhere in the world now. And, making charges are three-four per cent. Even if you include their profit margin, it will not exceed 15 per cent. So how can Thai authorities certify 20 per cent value addition? We have requested them to tell us whether or not the certificates are genuine,” added another official.

All these cases were for 2012-13. Duty had been paid in about 25 cases but some traders moved courts challenging the notices. The rulings in these cases went in favour of the government, officials said.

The government has written to Thai authorities in this regard and they have agreed to look at their manufacturing facilities. Thai Deputy Prime Minister [Niwattumrong Boonsongpaisan](#), during a visit to India in October, had said his country had agreed to pay India import duty on jewellery.

If full 15 per cent duty is paid on jewellery imported from Thailand, sourcing from that country will not remain an attractive proposition for Indian traders, as there is not much difference between gold prices here and in Thailand. And, if traders in Thailand do 20 per cent value addition, the price for importers in India will not be much less than the gold imported from a third country, making Thai imports unattractive.

[Duty evasion](#) of Rs 225 crore implied gold jewellery worth Rs 2,500 crore had been imported during the year from Thailand.

India has been imposing curbs on import of gold bars and gold jewellery to rein in a high level of current account deficit (CAD), which had swelled to \$88 billion, or 4.8 per cent of GDP, in 2012-13. Bring gold imports down — from 142.5 tonnes in April to 11.2 tonnes in September — has helped the government lower its CAD estimate for the year from \$70 billion earlier to \$56 billion. Gold imports are likely to be in the range of 10-15 tonnes a month in the second half of the year.

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