

Tax refund rate increased for gold jewellery exporters

With an aim to increase jewellery exports, the government today increased the duty drawback rate by Rs 73 to Rs 173.7 per gram on gold ornaments.

Duty drawback is the refund of duties on imported inputs for export items.

The drawback or tax refund rate for "articles of jewellery and parts thereof, made of gold" is "Rs 173.70 per gram of net gold content (.995 or more purity) in the jewellery", a Central Board of Excise and Customs (CBEC) notification said.

The earlier rate was Rs 100.70 per gram. The drawback rate has been increased at a time when large import of gold is impacting the country's current account deficit (CAD), which is likely to be at a high level of around 5 per cent of the GDP.

The government had raised import duty on the precious metal to 8 per cent with an aim to curb the gold demand. The RBI has also put restrictions on banks imports of gold.

Sources said the drawback rate has been increased to offset the increase in import duty of gold. The government had not increased the drawback rate when the gold import duty was increased to 6 per cent in January.

Ajay Sahai, Director-General of apex exporters body FIEO said the move will help jewellery exporters who are looking to increase the exports to USD 50 billion this fiscal as against USD 40 billion in 2012-13.

"This move will benefit jewellery exports and help them in offsetting the high duty which they are paying for their import components consequent to hike in the import duty to 8 per cent," he said.

Gold and silver imports rose nearly 90 per cent to USD 8.4 billion in May. Cumulatively, in April-May the import of precious metal stood at USD 15.88 billion. High CAD hurts a country's foreign exchange reserves.

(Economic Times)