

FAQ's regarding Excise on Jewellery



INDIA BULLION AND JEWELLERS
ASSOCIATION LTD.

Since 1919



In the Union Budget 2016 – 17, the Hon. Finance Minister has levied Excise Duty on Jewellery. The Excise Duty is applicable w.e.f. 1st March, 2016.

We have made several representations to the Government regarding levying Excise Duty on Jewellery. In response to this, the Finance Minister has issued various press releases and circulars for ease of doing business specifically with respect to Excise Duty on Jewellery.



A high level committee under the chairmanship of Dr. Ashok Lahiri has also been formed to look into the nitty gritty of Excise on Jewellery. Several un-answered questions for example: goods on approval, goods for exhibitions, goods for repairing, old goods received for melting, etc. are being referred to this committee.

We are enclosing herewith few Frequently Asked Questions (FAQ's) which shall be very beneficial to the Gems and Jewellery fraternity.

The information cited in this has been drawn from various sources. Every effort has been made to keep the information error free. However, we do not take any responsibility for any typographical or clerical errors or difference in opinions which may arise while compiling.

Mohit Kamboj

National President

11th April, 2016



1. What is Excise:

Under Central Excise Law the levy of duty is on the taxable event of manufacture of excisable goods. However the collection of duty is made at the point of removal of the manufactured goods from the place of removal.

To consider whether levy of Central Excise Duty is attracted, one has to fulfill the following four conditions:

- (a) There should be Manufacture;
- (b) Manufacture should be of Goods (Movable and Marketable);
- (c) Such goods manufactured should be Excisable Goods (set out in I or II Schedule to Central Excise Tariff Act, 1985 as subject to Duty);
- (d) Manufacture should happen in India.

The term 'manufacture' is understood to be any process whereby the goods processed would change as to name, character or use as is known in the market.

In addition to this there is a concept of deemed manufacture wherein certain processes are deemed to be manufacture though it is not considered as manufacture in the common understanding as explained above.

In the context of Jewellery sector in addition to normal understanding of manufacture, the processes of affixing or embossing trade name or brand name on articles of Jewellery or on articles of goldsmiths' or silversmiths' wares of precious metal or of metal clad with precious metal is deemed to be "manufacture".

When it comes to the question who has to pay duty and comply with the provisions of law, as a basic principle the liability to pay Central Excise duty is on the person who manufactures the goods irrespective of the fact whether he is the owner of the goods or not.

In the Jewellery sector, in case of job work in terms of special provision contained in Rule 12AA, there is an exception to the above rule 'manufacturer has to pay duty irrespective of ownership', the person who gets the article of Jewellery falling under heading 7113 or 7114 produced or manufactured on his behalf on job work basis will be liable to pay duty. Such person who is so getting the goods manufactured on job work basis is also required to obtain registration; maintain required records; and comply with all the relevant provisions of Central excise Rules, 2002 as if he is an assessee.



In other words, this is a clear instance where a person other than the manufacturer is held liable to pay excise duty.

As a person liable to pay duty (both as a manufacturer or principal in case of job worker), he is required to

- obtain registration;
- raise invoice for removal of goods (irrespective of the fact whether it is for sale or not) from the place of manufacture;
- maintain records as to inputs and finished goods having details as to
 - opening balance;
 - receipts/manufacture;
 - removal;
 - value and duty payable in case of finished goods; and
 - closing stock;
- quantify the duty payable on periodical basis;
- avail CENVAT Credit on inputs if applicable and on input services in all cases;
- file periodical returns.

Since Jewellery sector is new to Central Excise following basic understandings are essential for them to understand and appreciate the further discussions in this booklet;

- (a) The Central Excise duty is on the activity of manufacture;
- (b) It is not applicable only for trading which does not involve manufacture;
- (c) Central Excise duty is payable at the time of removal of goods from the place of manufacture, whether it is for sale or for stock transfer or for any other purposes;
- (d) Once the goods are removed on payment of duty, subsequent transactions are free from Central Excise duty.
- (e) However in case of sale by same person who has paid duty or sold through his related person, though the duty has to be paid at the time of removal from the place of manufacture, the value prevailing at the selling point of such goods to be adopted. Subsequently if it is sold at a higher price it is immaterial.
- (f) Similarly when the goods are sold to unrelated party on arms length subsequent sale by that other person has no relevance on the duty payable or paid.
- (g) In case of job work, the duty has to be paid by the person who gets the goods manufactured on his behalf by giving any inputs for manufacture of Jewellery.



2. What is Excise on Jewellery :

Central Excise duty on Jewellery though introduced initially for branded Jewellery and later extended to all Jewellery was subsequently withdrawn due to pressure from the industry.

However as Budget 2016 tax proposals, changes were made w.e.f. 1st March 2016, by withdrawing exemptions given earlier thereby extending the tax base of Central Excise to Jewellery sector as well w.e.f. 01.03.2016.

The scheme of levy and collection of Central Excise duty on articles of Jewellery is as under:

- (a) The levy and collection of Central Excise Duty is on the manufacture of Jewellery (excluding silver Jewellery, not studded with diamonds, ruby, emerald or sapphire).
- (b) It is applicable to both branded as well as unbranded Jewellery.
- (c) The rate of duty on the Jewellery are as follows:
 - (i) 1% on transaction value [without Cenvat credit on inputs and capital goods. However credit on input services is eligible] or
 - (ii) 12.5% with Cenvat credit of inputs, input services and capital goods.
- (d) The benefit of SSI exemption (exemption based on value of clearance) is available if the value of manufactured goods (on own or through job worker) cleared domestically has not crossed Rs. 12 Crores (all goods manufactured including silver Jewellery) in the financial year 2014-15. The benefit for March 2016 is 50 lakhs.
- (e) Similarly if the domestic value of clearance has not crossed 12 (all goods manufactured including silver Jewellery) crores in the financial year 2015-16, for the financial year 2016-17, exemption upto 6 crores of value of clearances can be availed.
- (f) The said exemption based on value of clearance is not available if manufacturer affixes the brand name of another person.



- (g) For determining the eligibility for availing SSI exemption based on previous financial year as explained above, a certificate from a chartered accountant, based on books of account shall suffice and does not require any verification from the departmental officers' side.
- (h) While computing the above said value of clearances, the value of Exports or the value of traded goods i.e. purchased and sold or the goods manufactured with the brand name of others (on which duty has to be paid) should not be counted.

There has been widespread protest by trade association. Conceding their few of demands, the Board has issued circular no. 1021/9/2016-CX dated 21.3.2016 clarifying the following:

- (a) A High level Task force led by Ashok Lahiri with 3 industry representatives, legal expert, one officer nominated by Ministry of Commerce & Industry and CBEC representative will be formed;
- (b) Extension of time for registration up to 30 April, 2016; However the payment of excise duty shall be with effect from 1st March, 2016 and as a special case for the month of March 2016, the assessee will be permitted to make payment of duty along with payment of excise duty for the month of April, 2016.
- (c) Sub-committee will submit its report within 60 days and until this recommendation are finalised and notified, following will be adhered to...
 - (i) Payment of excise based on first sale invoice value
 - (ii) CBEC will not challenge valuation of product given in the invoice provided to weight of gold and carat weight of diamonds and precious gemstone is mentioned on invoice
 - (iii) Excise official will not visit shops/ residence/manufacturing unit
 - (iv) No arrests or criminal prosecution
 - (v) No search and seizure of stock by excise officer
 - (vi) Exporters will be allowed on self declaration on submission of LUT with need to ratify with excise . Present system will work.
- (d) Terms of reference of committee will include all issues related to excise including type of records, other procedure, forms to be filed and



any other issues may be relevant to this subject.

- (e) Govt. may consider including other trade related issues for ease of doing business for domestic and export trade, encourage manufacturing business in Make in India program and facilitating for domestic and export within this committee in phase 2
- (f) All clarifications given so far or proposed to be given should be notified to give weight of law.
- (g) The Government has issued Press release dated - 4th March, 2016, 18th March, 2016 and circular dated 21st March, 2016. All these press releases and circulars are available on www.cbec.gov.in (a website Central Board of Excise and Customs)

We are enclosing herewith, Press release dated - 4th March, 2016, 18th March, 2016 and circular dated 21st March, 2016.



PRESS RELEASE (4th March, 2016)

In this year's Budget, a nominal excise duty of 1% [without input tax credit] and 12.5% [with input tax credit] has been imposed on articles of jewellery. Even for this nominal 1% excise duty, manufacturers are allowed to take credit of input services, which can be utilised for payment of duty on jewellery.

2. Some doubts have been expressed by the trade and industry regarding this levy. In that context, salient features of this levy are explained as under:

1. Easy compliance with provision for on line application for registration, payment of excise duty and filing of returns, with zero interface with the departmental officers.
2. The central excise officers have been directed not to visit the premises of Jewellery manufacturers.
3. Articles of silver jewellery [other than those studded with diamonds, ruby, emerald or sapphire] are exempt from this duty.
4. An artisan or goldsmith who only manufactures jewellery on job-work basis is not required to register with the Central Excise, pay duty and file returns, as all these obligations will be on the principal manufacturers [Rule 12AA of the Central Excise Rules, 2002].
5. There is a substantially high Small Scale Industries excise duty exemption limit of Rs. 6 crore in a year [as against normal SSI exemption limit of Rs. 1.5 crore] along with a higher eligibility limit of Rs. 12 crore [as against normal SSI eligibility limit of Rs. 4 crore].
6. Thus, only if the turnover of a jeweler during preceding financial year was more than Rs. 12 crore, he will be liable to pay the excise duty. Jewelers having turnover below Rs. 12 crore during preceding financial year will be eligible for exemption upto Rs. 6 crore during next financial year. Such small jewelers will be eligible for exemptions upto Rs. 50 lakh for the month of March, 2016.
7. For determination of eligibility for the SSI exemption for the month of March, 2016 or financial year 2016-17, a certificate from a Chartered Accountant, based on the books of accounts for 2014-15 and 2015-16 respectively, would suffice.
8. Further, facility of Optional Centralized Registration has also been provided.
Thus, there is no need for a jewellery manufacturer to take separate registrations for all his premises.
9. Field formations have been directed to grant hassle free registrations, within two working days of submission of the registration application. Further, there will be no post registration physical verification of the premises [online registration – <https://www.aces.gov.in/>].
10. Jeweler's private records or records for State VAT or records for Bureau of Indian Standards (in the case of hallmarked jewellery) will be accepted for all Central Excise purposes. Also, there



is no requirement to file a stock declaration to the jurisdictional central excise authorities.

11. Excise duty is to be paid on monthly basis and not on each clearance, with first installment of duty payment for the month of March, 2016 to be paid by 31st March for March, 2016.
12. A simplified quarterly return has also been prescribed, for duty paying jewelers [ER-8].
13. Moreover, simplified export procedure is available for exempted units [Part III of chapter 7 of CBEC's Central Excise Manual].

Usefullink: <http://www.cbec.gov.in/htdocs-cbec/ub1617/do-ltr-jstru1-revised.pdf>



PRESS RELEASE (18th March, 2016)

In this year's Budget, a nominal excise duty of 1% [without input tax credit] and 12.5% [with input tax credit] has been imposed on articles of jewellery with simplified procedures. Salient features of the simplified procedures for this levy have been explained vide press release issued by the Government on 4th of March, 2016.

2. In this connection, on 17th of March, 2016, a number of representatives of jewellery industry met Secretary (Revenue) and Chairman (Central Board of Excise & Customs) to discuss the concerns regarding imposition of this levy.

3. During the meeting, the aforesaid representatives *inter-alia* raised the following issues:

- a) Re-imposition of levy will bring back regime of erstwhile Gold control Act leading to harassment of Jewellers, especially artisans and small goldsmiths.
- b) This will also result in visits of Inspectors to the Jewellers thereby bringing back the days of Inspector Raj.
- c) Who has to take excise registration and file return?
- d) What documents are to be maintained for excise purposes?

4. The representatives of industry also requested for increase in exemption limit of Rs. 6 Crore in a year to Rs. 10 Crore, and urged for an early consideration of the same.

5. Regarding concerns relating to procedures and compliance to the levy, the representatives of industry were informed that all these issues have already been clarified vide Chairman's D.O. letter dated 3rd March, 2016 to field formations and the Press release dated 4th March, 2016, copies of which were also provided to them. Further, in the meeting, the following was clarified:

- a) In case of jewellery manufactured on job work basis, the liability to take registration, pay duty and to file return is on the principal manufacturer and not on the job worker.
- b) Further, exemption from excise duty up to the clearance limit of Rs. 6 Crore is available to a jewellery manufacturer if his aggregate value of domestic clearances is less than Rs. 12 Crore in the preceding financial year.
- c) Artisans and job-workers are not covered within the ambit of this duty and thus they are not required to take registration, pay duty, file returns and maintain any books of account.
- d) A jewellery manufacturer having turnover less than Rs. 12 Crore during the preceding financial year and less than Rs. 6 Crore in the current financial year is not required to take registration and file return.
- e) Application for excise registration as well as returns can be filled online [<https://www.aces.gov.in/>].
- f) Directions have been issued to the field formations to provide hassle free registration within two



working days. There will be no post registration physical verification of the jeweller's premises.

- g) There is no requirement of declaring pre-budget stocks. Directions have also been issued barring any visits to the jeweller's premises.
- h) Jeweller's private records or his records for State VAT or for Bureau of Indian Standards (in the case of hallmarked jewellery) would be accepted for all Central Excise purposes.

Useful links:

- 1) <http://www.cbec.gov.in/htdocs-cbec/ub1617/do-ltr-jstru1-revised.pdf>
- 2) <http://pib.nic.in/newsite/mbErel.aspx?relid=137342>



PRESS RELEASE (21st March, 2016)

Circular No. 1021/9/2016-CX

Subject: Imposition of Central Excise duty on jewellery – Constitution of sub-committee of the High Level Committee –regarding

In the Budget 2016-17, Central Excise duty at the rate of 1% (without input tax credit) and 12.5% (with input tax credit) has been imposed on all articles of jewellery (except for silver jewellery, other than those studded with diamond, ruby, emerald or sapphire).

2. In this regard, it has been decided to constitute a Sub-Committee of the High Level Committee to Interact with Trade & Industry on Tax Laws, chaired by Dr. Ashok Lahiri, which will consist of:
 - a. three representatives of the trade [to be decided by the Government];
 - b. one legal expert [to be decided by the Government];
 - c. officer concerned from the Ministry of Commerce & Industry [MoC&I] to be nominated by the MoC&I; and
 - d. high level officials from the central excise department to be nominated by the Central Board of Excise and Customs. The composition of the Sub-Committee will be circulated once the names of its members are finalized.
3. All associations will be given an opportunity to submit representation before the subcommittee in writing and the all India associations to state their case in person.
4. Terms of reference of the Sub-Committee will include the 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 issued that may be relevant. The Sub-Committee will submit its report within 60 days of its constitution.
5. Till the recommendations of the Sub-Committee are finalized, the following shall be adhered to:
 - a) All payments of central excise duty will be based on first sale invoice value;
 - b) The central excise authorities will not challenge the valuation given in the invoice provided the caratage / purity and weight of the gold/silver with precious stones; and carats of diamond/precious stones are mentioned on the invoice;
 - c) The central excise officers will not visit the manufacturing units/ shops/ place of business/residence of the jewelers;
 - d) No arrest or criminal prosecution of any jeweler will be done;



e) No search or seizure of stocks by any central excise official will be effected;
f) Exporters will be allowed to export on self-declaration and submission of LUT to customs without the need to get LUT ratified by central excise. Prevailing system will continue.

6. The registration of the establishment with the central excise department can be taken within 60 days from 1st March, 2016. However, the liability for payment of central excise duty will be with effect from 1st March, 2016, and as a special case for the month of March, 2016, the assessee jewelers will be permitted to make payment of excise duty along with the payment of excise duty for the month of April, 2016.

7. Any further communications with the regard to the aforesaid Sub-Committee may be addressed to the Office of the High Level Committee (HLC), Suite No. 215, The Janpath Hotel, Janpath Road, Opp. BSNL Building, and New Delhi-110001.

8. Wide publicity may be given to this circular. Difficulty, if any, in implementing the circular should be brought to the notice of the Board. Hindi version would follow.



3. Rate of Excise Duty on Jewellery :

1. When Central Excise duty levy is attracted in general?

Central Excise Duty is attracted on manufacture or production of excisable goods in India. The duty is leviable on the incidence of manufacture but for administrative convenience, the collection is postponed to the removal of goods from the place of manufacture or production.

2. What are excisable goods?

All Goods specified in the First Schedule or Second Schedule to Central Excise Tariff Act, 1985 as being subject to a duty of excise.

3. Where in the Central Excise Tariff the goods relating to Jewellery industry is the mention?

The goods relating to Jewellery industry is mentioned in the chapter 71 of the Central Excise Tariff Act.

4. What are all the goods covered therein?

Following goods are covered in the chapter 71 of the Central Excise Tariff Act:

- Natural or cultured pearls,
- Precious or semi-Precious stones,
- Precious metals,
- Metals clad with precious metal and articles therefore;
- Jewellery including imitation Jewellery;
- Coin

5. Which of these products have been subjected to duty of excise in the Budget 2016-17?



Tariff Item	Description of goods	Unit	Tariff Rate of duty
7113	Articles of Jewellery and parts thereof, of precious metal or of metal clad with precious metal		
	<i>Of precious metal whether or not plated or clad with precious metal:</i>		
7113 11	<i>Of silver, whether or not plated or clad with other precious metal:</i>		
7113 11 10	Jewellery with filigree work	kg.	12.5%
7113 11 20	Jewellery studded with gems	kg.	12.5%
7113 11 30	Other articles of Jewellery	kg.	12.5%
7113 11 90	Parts	kg.	12.5%
7113 19	<i>Of other precious metal, whether or not plated or clad with precious metal:</i>		
7113 19 10	Of gold, unstudded	kg.	12.5%
7113 19 20	Of gold, set with pearls	kg.	12.5%
7113 19 30	Of gold, set with diamonds	kg.	12.5%
7113 19 40	Of gold, set with other precious and semi-precious stones	kg.	12.5%
7113 19 50	Of platinum, unstudded	kg.	12.5%
7113 19 60	Parts	kg.	12.5%
7113 19 90	Other	kg.	12.5%
7113 20 00	Of base metal clad with precious metal	kg.	12.5%

There are 18 headings in the chapter starting from 7101 upto 7118. But the excise duty has been imposed in the Budget 2016-17 on products falling under chapter 7113.

6. What is Tariff Rate of Duty and how is it different from effective rate of duty?

Tariff rate of duty is the rate of duty set out in the schedule to the Central Excise Tariff Act, 1985. However effective rate of duty is the rate of duty which is effectively payable after considering exemption notifications if any.



7. What is manufacture in the context of Jewellery products?

The term 'manufacture' in general for Central Excise Purposes is understood to be any process whereby the goods processed would change as to name, character or use as is known in the market. The same is equally applicable even for Jewellery products as well.

In addition to this there is a concept of deemed manufacture wherein certain processes are deemed to be manufacture though it is not considered as manufacture in the common understanding as explained above.

In the context of Jewellery articles in addition to normal understanding of manufacture, the processes of affixing or embossing trade name or brand name on articles of Jewellery or on articles of goldsmiths' or silversmiths' wares of precious metal or of metal clad with precious metal is deemed to be "manufacture".

8. Whether duty needs to be paid in all cases where there is manufacture of excisable goods?

Yes, the duty needs to be paid if all the cases where there is manufacture of excisable goods. But it may not necessary that the liability to pay duty is upon manufacturer as there are enabling provisions w.r.t. Jewellery sector where liability may get shifted to person other than manufacturer. i.e. in case of Jewellery manufactured on job work basis, liability to pay duty is upon the person getting the goods manufactured instead of on job worker.

9. Is there any exemption for articles of gold Jewellery ?

As far as exemption relating to Jewellery directly are concerned, Sl. No. 199 of Exemption Notification No. 12/2012-CE dated 17.03.2012 gives exemption for from duty beyond 1% for Articles of Jewellery. However this is subject to the following condition –

If articles of Jewellery are manufactured from inputs or capital goods on which appropriate Central Excise Duty or CVD has been paid and no CENVAT credit of such duties has been taken. It is clarified by explanation that appropriate rate of duty includes 'nil' rate or concessional rate if duty is exempted.

10. Are there any other exemptions for goods related to Jewellery manufacturing?

There are many exemptions from payment of duty relating to Jewellery related products. The important among them are listed as follows:



(a) Sl. No. 188 of Notification No. 12/2012-CE dated 17.03.2012 – Full Exemption for Primary gold converted with the aid of power from any form of gold. However it should not be out of gold ore, concentrate or dore bar. This also covers conversion from old Jewellery to primary form of gold. The primary form of gold means gold in any unfinished or semi finished form and includes ingots, bars, blocks, slabs, billets, shots, pellets, rods, sheets, foils and wires

(b) Sl. No. 192 of Notification No. 12/2012-CE dated 17.03.2012 – Full exemption for

- Articles of goldsmiths' or silversmiths' wares of precious metal or of metal clad with precious metal, not bearing a brand name; If it is having a brand name, it is liable for 1% duty with the similar condition explained above for Jewellery.
- Strips, wires, sheets, plates and foils of gold, used in the manufacture of articles of Jewellery and parts thereof;
- Precious and semi-precious stones, synthetic stones and pearls;

(c) Sl. No. 195 of Notification No. 12/2012-CE dated 17.03.2012 – Full exemption for

- Dust and powder of natural precious or semi-precious stones; However if it is of synthetic precious or semi- precious stones, it is liable to duty at 6%.
- waste and scrap of precious metals or metals clad with precious metals, arising in course of manufacture of goods falling in Chapter 71;

(d) Sl. No. 196 of Notification No. 12/2012-CE dated 17.03.2012 – Full exemption for Strips, wires, sheets, plates and foils of silver.

(e) Sl. No. 199 of Notification No. 12/2012-CE dated 17.03.2012 – Full exemption for Articles of silver Jewellery, other than those studded with diamond, ruby, emerald or sapphire

(f) Sl. No. 200 of Notification No. 12/2012-CE dated 17.03.2012 – Full exemption for Gold coins of purity 99.5% and above and silver coins of purity 99.9% and above, bearing a brand name when manufactured from gold or silver respectively on which appropriate duty of customs or excise has been paid;

11. Who is liable to pay duty when the goods are manufactured by job worker?

As per Rule 12AA of Central Excise Rules, 2002, as amended the person who gets the abovementioned goods manufactured or produced on his



account on job work basis is liable to pay duty as if he is the assessee. Further also all the legal compliance has to be done by such person.

Thorough initially there was option to job woker also to get registration, but the same was omiteed w.e.f. 17.3.2012. The omission corresponds to amendment in sub rule 7.

Effectively there is no option to job worker as the law stands today and it is compulsory for the person getting the goods manufactured to get registration and make all compliances.

12. What is the meaning of the term 'job worker'?

Job worker has been defined under Rule 12AA of the Central Excise Rules as follows:

- Any person engaged on manufacturing or processing;
- On behalf of and under instruction of person getting the goods manufactured (said person);
- On any inputs supplied by said person or any person authorised by said person;

so as to complete a part or whole of the process resulting ultimately in manufacture of articles of Jewellery falling under heading 7113.

13. What is the applicable rate of duty and where is it mentioned?

When it comes to applicable rate of duty, Following are two options given.

(a) In case where the person liable to pay duty opts to avail credit of duty paid on inputs and/or capital goods, then applicable rate of duty will be 12.5%(as per the Tariff rate set out in First Schedule to the Central Excise Tariff Act, 1985 at heading 7113)

(b) In case where the person liable to pay duty opts not to avail credit of duty paid on inputs and/or capital goods, then applicable rate of duty will be 1%(as per sl. No. 199 of Notification No. 12/2012-CE dated 17.03.2012 read with the condition No. 16 contained therein).

In both the options, the person liable to pay duty is entitled to avail credit of service tax paid on input services (different from input goods or capital goods) used in or in relation to manufacture and clearance of goods on which duty is payable.



14. Does that mean even if manufacturer is paying 1% duty, they are entitled for Availment of credit of input services received?

Yes, the manufacturer shall be entitled to take the credit of input services even if duty is paid @ 1%.

15. Whether entire credit of service tax paid on input services are eligible?

Credit can be taken on all expenses satisfying the definition of input service. The illustration could be renting of showroom/premise, advertisement, branding, audit expenses, bank charges and similar other expenses incurred in the business of manufacturer. However if the credit is relating to both dutiable activity as well as exempted activity, the proportionate credit is eligible.

16. Whether there is restriction on taking credit on any of the expenses?

There are certain items excluded from the definition of input service such as construction of civil structure, renting of motor vehicles, expenses incurred for personal use or consumption of employees. Credit on these expenditure is not eligible.

17. Whether the Cenvat credit can be set off against the excise duty liability in case of Jewellery?

Yes. There is no restriction in the CENVAT Credit Rules, 2004 for utilizing CENVAT Credit. However the condition in case of concessional rate of 1% is only that CENVAT Credit of inputs and capital goods should not have been availed.

18. Whether the duty is restricted only for the gold Jewellery or it also extends to all articles of gold?

The duty has been imposed in Budget 2016-17 on articles of Jewellery falling under headings 7113. Article of Jewellery as per chapter notes means any small objects of personal adornment (for example, rings, bracelets, necklaces) and also includes articles of personal use of a kind normally carried in the pocket, in the handbag or on the person (e.g. cigar, snuff boxes etc.). The duty is imposed upon Jewellery item only and not on all the items. Hence, duty is not applicable on all articles of gold.

As far as other articles of gold it depends upon the nature of goods and many have been exempted. Articles of Articles of goldsmiths' or silversmiths' wares of precious metal or of metal clad with precious metal, brand name is liable to duty of 1%;



19. Whether there is any concession for silver Jewellery?

Yes. The excise duty levy would not be applicable to branded or unbranded silver Jewellery, which are fully exempted from excise duty, however if such silver Jewellery is studded with diamonds, ruby, emerald or sapphire then the same shall suffer excise duty irrespective of the fact whether it is branded or not.

20. Whether the change in purity has any impact on dutiability?

No. Change in purity of gold i.e. it may be 18K, 22K will not impact the duty liability.

21. Whether the duty has to be paid on silver products with gold plated?

Silver Jewellery plated with gold essentially remains the Jewellery of silver. Unless the Jewellery is studded with diamonds, ruby, emerald or sapphire, there is no liability of excise duty on the same and thereby it is not liable for duty.

22. Whether the duty has to be paid on platinum Jewellery?

Jewellery of platinum is covered under heading 7113. Hence, the same is also liable to duty of excise similar to gold article.

23. Whether the levy is applicable to traded Jewellery?

If the Jewellery house is purchasing the ready Jewellery and selling the same to customers, there is no activity of manufacture and hence the same shall not be subjected to excise duty.

24. If the consideration has been paid in gold for purchase of Jewellery by the jeweller for trading? Whether this would be having any impact?

Merely settling the consideration in gold for the purchase of the ready Jewellery shall not have any impact of the trader. However if the same was given on a job-work basis then excise duty shall be payable by the trader. Practically it is generally treated as job work in the books for VAT purposes. There cannot be different stand for different authorities.

25. From which date the duty of excise is liable to be paid?

For all the clearances from the place of manufacture on or after 1st March 2016, duty is liable to be paid. Excisable goods which were produced on or before 29.2.2016 but lying in stock at the place of manufacture and are not



removed as on 29.2.2016 shall attract excise duty upon clearance.

26. What is the taxability of stock as on 29.02.2016

All excisable goods which were produced or manufactured on or before 29.2.2016 but lying in stock at the place of manufacture as on 29.2.2016 are liable to excise duty upon clearance.

However if the goods were already cleared from the place of manufacture and are lying in stock in any other place like showroom, warehouse, stocking place, etc., are not liable for duty as goods were already cleared from the place of manufacture. This is for the reason that point of collection of duty is the point of clearance of goods from the place of manufacture. Since this event would have been already completed in these cases, there cannot be duty liability.

27. Whether any declaration has to be made as to stock as on 29.02.2016?

No. There is no requirement of declaration of any stock to as on 29.02.2016 to be made to department. However it is suggested to have a certification from Chartered Accountant as to stocks lying at different places since duty liability differs depending upon where the stocks were situated as on 29.02.2016.

28. Whether the person who gets Jewellery manufactured on his behalf on job work basis could sell manufactured Jewellery and trade in Jewellery from same location?

There is no such specific restriction. Further the duty on the Jewellery would have been already paid at the time of removal of goods from job worker's place. Therefore all the goods in the said location would be duty paid or purchased. However there may be a requirement to establish the source of such goods at least on totality basis, though practically it may be difficult or may not be possible to show item to item basis. It is expected that government will issue some clarifications in this regard.

29. Whether duty is payable even on Exports?

No. The goods exported will be free from duty in terms of Central Excise Rules, 2002. However the procedures that are set out in the rules may have to be followed.

30. If the sale is made to NRI, whether the same is exempted?

No, per se sale to NRI would not entitled the exemption, the conditions and procedure laid down for the exports needs to be satisfied for claiming the



exemption.

31. When the excise duty has to be paid?

Excise Duty has to be paid on removal of the goods from the place of manufacture, in case the place of manufacture and sale is one and the same, then in such case excise duty can be paid on sale to customer. In case the place of manufacture and the place of removal are different, then the excise duty has to be paid on removal of goods from place of manufacture (workshop) to place of sale (showroom). Even though liability arises at the time of removal, account of liability has to be kept and payment has to be made once a month/quarter (Refer answers to question numbers 51 and 52).

32. What is the valuation on which the duty has to be paid ?

Excise Duty has to be paid on transaction value of the goods, in case the place of manufacture and sale is one and the same.

In case the place of manufacture and the place of removal (from where the goods are sold subsequent to removal from the place of manufacture) are different, then the excise duty has to be paid on the value of goods prevailing at the place of sale (showroom) at the time of removal from the place of manufacture (workshop)

Note: The government has provided that the value shall be taken based on first sale invoice. What is meaning of first sale invoice is not clear but in the view of authors, this could be considered first sale invoice for the day. This has been clarified by way of circular and no amendment has been made in the statutory provisions yet.

33. How the valuation needs to be adopted in case of job work?

In case of job work the valuation has to be normal transaction value prevailing at the showroom at about the time when the goods was removed from the job-worker premises.

34. Whether the valuation shall also include the wastage, making charges and stone charges?

The valuation shall be the transaction value with the customer, which includes all charges and all additional consideration, which may be received from the customers.

35. Whether the gold or other precious stones given by customer needs to be part of the value for the payment of duty?



Yes, excise duty has to be paid on the value which is inclusive of the gold, other precious stones or any other consideration given by customers in any form.

36. How the valuation needs to be done in case of monthly payment scheme?

Valuations shall be based on the transaction value with the customer, which shall be equivalent to the summation of the installments. However this happens only when the customer redeems the payment from the scheme and buys Jewellery.

37. Whether excise duty can be collected from the customer?

Excise duty is an indirect tax and can be collected from the buyer. However in case the goods are manufactured in the workshop and then the same are

sold in show room, then in such case excise invoice cannot be raised on the customer and in such case explicit collection on the transaction value is not possible, the same has to be recovered as product cost.

38. What is duty liability on goods received for repair/reconditioning etc.?

If the process of repair/reconditioning etc. amounts to manufacture, duty needs to be paid at the time of second removal of goods as well. The duty needs to be paid on gross amount including the value of material. If the process does not amount to manufacture, there is no liability to pay duty.

39. What are the implications of jewellery made for retail end-users who bring the gold required to make jewellery in the form of old jewellery of gold?

Jeweller manufacturing the jewellery using gold supplied by customer shall be treated as job worker while the customer bringing the gold for getting it manufactured shall be considered as assessee under Rule 12AA of CER. The customer would be liable to pay duty and making compliances under the central excise subject to the benefit of SSI exemption. There is no liability on jeweller to charge and pay duty of excise in terms of exemption granted to job workers. It shall raise invoice for labour charges only. There should be clear mention on the invoice that the goods covered by invoice have been processed under Rule 12AA of CER on the material supplied by customer and the customer is liable to pay duty of excise if any.[Identity of customer should be verifiable]



40. Is SSI exemption available to such retail end-users or the job-worker?

SSI exemption is available to retail customer as he is considered assessee for all purposes under central excise. The turnover shall not be included in the SSI limit of job worker also.

41. Is SSI exemption available automatically or is it to be applied for?

There is no need to apply for SSI exemption specifically by customer. If the value falls within SSI limit, the benefit would be automatically available.

42. A retail end-user may have a transaction for (say) Rs.5 lacs, but the job-worker may have transactions for several crores, what is the responsibility of the retail end-user and job-worker, respectively?

As far as responsibility of retail end-user, since the value of goods manufactured on his behalf is less than exemption limit, there is no statutory compliance required from his end.

As far as responsibility of job worker i.e. jewellery shop is concerned, proper documents should be maintained as to receipt of the goods from the retail end-user and the same goods should be sent for processing for final products. It is important to note that to be called as job worker the finished goods should be manufactured out of the raw materials supplied and not in exchange of goods.

43. When old gold jewellery is brought by retail end-users, the jeweller 'barter' the same with ready-made jewellery. What are the implications?

This is the case where consideration is given by customer in non monetary form. The manufacturing has been done by jeweller on its own. Hence, it shall be liable to duty of excise and the value shall be determined as per following:

- value of jewellery supplied by customer+
- additional material used by manufacturer in manufacturing jewellery+
- jewellery making charges

44. Old Jewellery is converted to gold bar by melting with aid of power. Whether it is liable to duty of excise?

There is an exemption from payment of duty vide Sl. No. 188 of Notification No. 12/2012-CE dated 17.03.2012. However if it is not made using the aid of power, there seems to be no exemption.



45. Whether sale of scrap is liable to duty of excise?

Sl. No. 195 of Notification No. 12/2012-CE dated 17.03.2012 Dust and powder of natural precious or semi-precious stones is exempted. Similarly waste and scrap of precious metals or metals clad with precious metals, arising in course of manufacture of goods falling in Chapter 71 is exempted.

However if it is of synthetic precious or semi- precious stones, it is liable to duty at 6%.

46. Whether imitation Jewellery is liable to duty of excise?

Imitation Jewellery is already under excise duty net and there is no change in the same.

47. Whether duty liability arises on manufacturing and sale of gold coins?

If the gold coin is unbranded, it is exempted from payment of duty vide sl. No. 192 of Notification No. 12/2012-CE dated 17.03.2012. If it is branded then exemption is available only if purity is 99.5% and above subject to other conditions in sl. No. 200 of the said notification.

48. What is duty liability on goods sent for approval basis? If it is rejected/returned by customer, how to adjust the tax already paid?

Liability to pay duty arise on removal of goods whether on account of sale or otherwise. Hence, the goods must have suffered duty before or at the time of removal on approval basis. There could be following possibilities:

(i) Duty paid at the time of stock transfer from workshop to point of sale (showroom): Duty is paid at the time of removing the goods from workshop to showroom. Hence, duty need not be paid again at the time of removal from showroom on approval basis.

(ii) Duty paid at the time of removal of goods on approval basis: If the goods are manufactured at showroom/workshop and send directly from there on approval basis, duty needs to be paid at the time of such removal.

If the goods are returned back by customer under any of the above possibilities, the goods may be stored separately as duty paid stock. There is no liability on subsequent removal. Relaxation for the payment at initial point of removal maybe sought from Government.

49. Whether credit can be taken on sales return made by customer?

The eligibility of credit and treatment would be the same as discussed in the previous question. If the process undertaken on returned goods amount to



manufacture, there would be duty liability on subsequent removal. Credit of duty paid earlier @1% would not be available taking a conservative interpretation. A representation will be made to government to provide credit of central excise duty paid on jewellery returned and melted and converted into new jewellery.

50. What is the periodicity of payment of duty?

Duty needs to be paid on monthly basis on or before 6th of the succeeding month. In case of month of March, duty needs to be paid by 31st March. SSI units are permitted to make payment on quarterly basis.

51. How to arrive at duty liability in case of month of March where duty needs to be paid by 31st March? There may be clearance on 31st March also.

If possible, the removal from factory could be stopped in last few hours to determine the liability and its payment. If not possible, the duty may be paid provisionally and any shortfall/excess may be adjusted on the next working day along with interest @ 15%.p.a.

52. In case of meltars, stone setters, press and dia cutting people, the total value of the metal work done by them could be more than 12 crores in a year. Who shall be responsible for paying duty and maintenance of records?

These persons may be acting on job work basis and the liability to pay duty and maintenance of records would be on principal sending goods for processing.

53. What is enabling provision under the law which provides that the premise of manufacturer and job worker shall not be visited by department officers?

Notification No. 35/2001- CE(NT) has been amended to provide that manufacturer engaged in manufacturing of articles of jewellery shall not be visited by department. In case of job workers, the liability to pay duty and taking registration is on manufacturer under Rule 12AA. Hence, the department cannot visit the job worker's premise.



4. What is Limit of SSI Exemption:

54. Whether it is applicable to Jewellery industry as well?

The Notification No. 8/2003 has been amended to provide increased exemption limit to Jewellery sector. Manufacturers of Jewellery items are entitled to exemption upto clearance of Rs. 6 crore in current financial year provided total clearance in preceding financial year does not exceed Rs. 12 crore. For the month of March, the exemption is available upto removal of Rs. 50 lacs.

55. If a person who is treated as assessee has 3 different units, the exemption limit is counted for each unit or all put together?

If the manufacturer have more than one factories (even at different places), the value of clearance of all factories have to be clubbed together for calculating SSI exemption limit of Rs. 6 crore and 12 crore.

56. If units are owned by different persons but effectively controlled by one person, whether exemption limit is applicable to each of the owner?

Value of clearance of units owned by different persons need not be clubbed for determination of clearance limit. However, if the owner of different units is same and there is financial flow back among those units, clubbing provision would be applicable. This is intended to avoid creating bogus units to claim wrong benefit.

57. What is the manner of calculating SSI exemption benefit? Explain with an illustration.

SSI exemption calculation could be understood with the help of following example: Presuming domestic clearance of all the goods manufactured for FY 2014-15 is Rs.11Cr. The table hereunder gives some clarity on the subject



Year	Value of clearance (in Rs.)	Previous clearance Less than Rs. 12cr	Exemption (In Rs.)	Dutiable (In Rs.)
I(2015 - 2016)	60 Lakhs in march 2016. Entire year - 4crores	Yes	50Lakhs	10 Lakhs
II (2016-17)	9 crores	Yes	6 crores	3 crores
III	14 crores	Yes	6 crores	8 crores
IV	3 crores	No	Nil	3 crores
V	11crores	Yes	6 crores	5Crores



5. Registration Procedures for Jewellers:

58. What is the definition of Factory?

Factory is defined as any premise, including precincts thereof, wherein or in any part of which excisable goods are manufactured. It also includes any other place where any process connected with the production of these goods is carried on or ordinarily carried on.

59. In case of jewellers, which are all the premises that can be considered as factory?

Manufacturing of Jewellery takes place in workshop. This is factory for excise purpose. If the workshop is adjacent to the showroom and certain incidental process is undertaken in the showroom also, it shall also be considered as factory.

60. Jewellery manufactured in the workshop is brought to showroom for affixing brand name or trade name. Which is factory?

The workshop is factory as the manufacturing activities is carried out at that place. The process of affixing the brand name or trade name is deemed manufacturing. Hence, any place where such affixing the brand name or trade name is undertaking shall also be considered factory.

61. Who is required to get registration under central excise?

Every person, who produces, manufactures, carries on trade, holds private store-room or warehouse or otherwise uses excisable goods or an importer who issues an invoice on which CENVAT credit can be taken, is required to get registration under central excise.

62. Which premises has to be registered in general?

Assessment under central excise is factory based. Any premise satisfying the definition of factory is required to get registration unless specifically exempted. If the person has been operating from more than one factory, generally separate registration certificate shall be obtained for each of such factories. However for Jewellery sector there is special provision wherein centralized registration is permitted as discussed below.



63. When registration has to be obtained?

Registration needs to be obtained within 30 days from the date when liability to pay duty arises. Hence, the registration needs to be taken till 30th march, 2016 as the liability arose w.e.f. 1.3.2016.

Note: The Board has issued circular to provide that registration may be obtained till 30th April, 2016. But no amendment to that effect has been made in the Rules /Notifications till the date of publication of the booklet.

64. In case of person liable to pay duty is different from manufacturer which premises have to be registered?

The registration needs to be taken at the premise of the person liable to pay duty. For example, in case of job work, the factory is premise of job work where actual manufacturing activities are undertaken but the person liable to pay duty is person getting the goods manufactured. Hence, such person needs to obtain registration at his showroom/place of business.

65. If a person is getting goods manufactured through different job worker and do not have any of his own manufacturing unit which premises to register?

In general the job workers undertaking manufacturing process is considered manufacturer and his factory is required to be registered unless the manufacturer gives undertaking to pay duty of excise on clearance of finished goods from his factory.

In case of Jewellery sector, Rule 12AA of the Central Excise Rules provides that every person getting the articles of Jewellery and/or other articles of precious metals manufactured on his behalf on job work basis shall obtain registration. Hence, the job worker is not required to take registration in Jewellery sector.

66. In above case, at which premise registration needs to be taken?

The registration needs to be taken at the showroom or at such other place from where such person (principal) carries out business.

67. Whether Centralised registration is permitted when the assessee has multiple manufacturing units?

A notification providing for an optional centralized central excise registration for Jewellery manufacturers with centralized billing or accounting system is being issued under Rule 9(2) of the Central Excise Rules, 2002.



The manufacturer having a centralised billing or accounting system could opt for registering only the factory or premises or office, from where such centralised billing or accounting is done and where the accounts/records showing receipts of raw materials and finished excisable goods manufactured or received back from job workers are kept.

68. Whether details of all the premises (including job work) needs to be given in the registration application?

Manufacturer opting for centralised registration is required to give details of all the premises where manufacturing activities are carried out. However, details of job worker premise are not required to be given.

69. Is it possible to show workshops as job work unit so as not to disclose in the registration certificate?

Yes, each of the workshops may be considered as job work unit. If considered so, there is no need to give details of all such workshops in the registration application.

70. Is it compulsory to obtain centralised registration?

No, it is not necessary to obtain centralised registration. It is a facility not compulsion. Manufacturer may obtain separate registration for each of his workshops (factories) instead of obtaining centralised registration.

71. Which option is better; centralised registration or separate registration?

It depends upon the business model being followed by manufacturer. In general, it could be suggested to make one of the workshops at nodal workshop where all the records are maintained. This could waive the requirement to take registration at showroom which may be used exclusively for trading of goods received from workshops along with goods purchased from other for trading purpose.

The showroom may be registered as Input Service Distributor to distribute the credits on input services to workshops. This credit may be utilized by workshops to utilize against their liability arising on removal of goods under both the options (1% or 12.5%).

72. What is process to take registration?

Application for registration shall be filed only online on the website www.aces.gov.in. Necessary documents are required to be submitted physically in support of the details furnished in the registration application.



73. Whether premises of manufacturer is physically visited before granting registration?

It is provided in Notification No. 35/2001-CE (NT) that authorized officer shall verify the premises physically within seven days from the date of receipt of application through online.

But there is special provision to provide that the officer shall not visit the factory or premises of the person engaged in the manufacture or production of articles of Jewellery. Hence, there will not be any physical verification neither before or after obtaining registration.

74. What is the time limit for granting registration?

The registration has to be granted within 7 days of receipt of duly completed application. It is guided that in case of Jewellery assessee, registration is to be given within 2 working days.



6. Invoicing for Jewellers:

75. When Central Excise Invoice has to be raised and by whom?

Excisable goods needs to be removed from the place of manufacture based on excise invoice under Rule 11 of the Central Excise Rules. The invoice needs to be issued by the person liable to take registration and pay the duty.

76. In the case of a Manufacturer obtaining centralised registration at the showroom, is it necessary to bring the goods to the showroom from workshops based on excise invoice?

The workshops are places of manufacture i.e. factory. The showroom i.e. centralised registered place is only place of removal. Hence, the goods should move from the place of manufacture (workshop) to place of registration (showroom) based on excise invoice. The invoice shall be raised from registered premise and sent to workshop to accompany the goods during physical movement.

77. Whether goods should be removed based on invoice from the factory of job worker to person getting the goods manufactured?

Yes, the goods should be removed based on excise invoice from the place of job worker to the person getting the goods manufactured.

78. How many copies of excise invoice should be there?

Each excise invoice should be prepared in triplicate. They are to be -

- Original copy for buyer;
- Duplicate for transporter; and
- Triplicate for asseesse.

79. Can the Central Excise Invoice be different form commercial invoice?

Yes, central excise invoice could be different from the commercial invoice. It is suggested to have separate invoice to avoid confusion between sales tax and Central Excise. Central Excise is applicable for manufactured goods movement and commercial invoice is for sale generally.



It is suggested to intimate such practice to the different departments to avoid confusion at a later point in time.

80. What are the contents of Central Excise invoice for removal of goods from place of manufacture?

The invoice is to be numbered serially and shall contain particulars regarding-

- (a) Registration number
- (b) Description of goods
- (c) Classification of goods
- (d) Time and the date of removal
- (e) Rate of duty
- (f) Quantity and the value of goods
- (g) Duty payable on the goods

If goods are not sold at the time of removal from the place of manufacture (workshop), it is suggested to mention on invoice that the assessable value is *normal transaction value* prevalent at the place of removal (showroom) at such time.

81. What are the contents of invoice raised at showroom or other place from where the goods are sold after it is removed on payment of duty.

As the duty has already been charged at the time of removal of goods from the workshop, there is no need to issue excise invoice. Goods should be sold based on commercial invoice. However, it is suggested to mention a declaration in the invoice that the goods covered by invoice are duty paid. Appropriate record should be maintained to establish the fact as to payment of duty with reference of the excise invoice through which removal was made from workshop/job worker premise. (An option can be kept to indicate the amount of duty paid if the buyer desires to have the details).

82. Can the value of excise invoice and commercial invoice could be different?

Yes, the value of excise invoice could be different from commercial invoice. Valuation for excise purpose is *normal transaction value* prevalent at



showroom at the time of removal of goods from the workshop. Price may undergo change when the manufactured goods are actually sold to customer. Hence, there could be difference in price. But there should be proper documentation showing reconciliation. One method that can be thought of is that the preparer of the excisable invoice should indicate the serial number of the commercial invoice, location and date in the excise invoice against basis of normal transaction value. This will reduce complications that can arise in future and compliance audit would be possible and the preparer of excise invoice would be knowing the legal provisions.

Note: The government has provided that the value shall be taken based on first sale invoice. What is meaning of first sale invoice is not clear but in the view of authors, this could be considered first sale invoice for the day. This has been clarified by way of circular and no amendment has been made in the statutory provisions yet.

83. How should invoice be raised when the goods are sold from job worker premise directly to customer?

Seller shall prepare the original and duplicate copy of invoice and send them to job worker except for mentioning the date and time of removal of goods on such invoice. The job worker shall fill up the particulars of date and time of removal of goods before the clearance of goods. After such clearance, the date and time of the clearance of goods for shall be communicated to the seller for completion of the particulars in the triplicate copy of the invoice.



7. Book Keeping by Jewellers :

84. What are the records to be maintained if 1% duty payment is opted without credit of duty paid on inputs and capital goods?

Following records are required to be maintained if duty is paid @ 1%

Daily Stock Account (Production Register): Normal records maintained by assessee shall be acceptable.

- (ii) Input stock register: In order to account for the materials received and issued from stores.
- (iii) Input service credit register: To give details of input service credit availed.

85. What is the procedure and format of register to be maintained as to goods manufactured by job worker and duty being paid by principal?

Procedure for sending goods to job worker: The goods should be sent under a challan, consignment note or any other similar document.

- (ii) *Procedure for sending finished goods by job worker:* The job worker shall send the finished goods on the counterfoil of the challan, consignment note or any other document based on which goods were received from the manufacturer. It shall also accompany the invoice under rule 11 issued & forwarded by principal to job worker.

Job work register: Job work register has to be maintained wherein the details of goods sent for job work, corresponding receipt from the job worker and in case of removal from the job worker's place details of such removal correlating to the goods sent are entered.

86. What is the procedure and format of register to be maintained for disposal of waste and scrap generated at job worker's end?

Where scrap is generated at the job worker's end, the following possibilities may be examined-

- The job worker undertakes the responsibility to send the scrap back to assessee which can be done under the cover of a delivery Challan. In this case, he should link the scrap generated to the company's delivery Challan under which the inputs had been sent to him.
- The job worker can also send the scrap along with other items, which he is usually expected to return.



- On return, the items will be separately recorded in the scrap register and taken to the area under stores control.
- The duty will have to be paid if the scrap is removed as such and is of synthetic precious or semi-precious stones in due course. If the scrap items could be once again used to manufacture further Jewellery items it would be sufficient if the issue for manufacture of dutiable jewellery items is shown and documented properly. The scrap register may be maintained.

87. What is the procedure and format of register to be maintained as to goods manufactured by own workshop but registered premises is different?

(i) *Procedure for sending goods to workshop:*

- Receive the indent on priority Nos./purchase order/job basis from the place of manufacturing (factory)
- Raise the Returnable Outward Challan (System Generated). The challan should have relevant information.
- Make an entry in the Stock Register for the issue of materials.
- Make an entry in the Outward Processing Register to show the materials issues to workshop, which should give relevant information.
- Security on verification of the quantity should make the entry in the Outward Register. The security has to put its seal at the back of the ROC or OC.

(ii) *Procedure for sending finished goods by workshop:* The workshop shall send the finished goods on the counterfoil of the challan, consignment note or any other document based on which goods were received from the manufacturer. It should also accompany excise invoice issued from the registered premise.

(iii) *Workshop register:* Workshop register has to be maintained wherein the details of goods sent to workshop, corresponding receipt from the workshop and in case of removal from the workshop's details of such removal correlating to the goods sent are entered. The format referred under job work route may be used with suitable modification.

88. What is the procedure and format of register to be maintained as to goods manufactured by own registered workshop/factory and cleared on payment of duty?

This is the case where manufactured goods are sold from the place of manufacture. The goods should be removed based on the invoice. The procedure for the same could be as follows:

- The seller needs to raise commercial cum excise invoice under rule 11 of the CER.



- The goods shall be recorded in the daily stock register as outward clearance for home consumption.
- At the time of removal of goods from the factory gate, entry should be made in the outward security register.

89. What is the procedure and format of register to be maintained for sale of goods at a place (showroom) different from the place where the goods were manufactured (workshop) and removed on payment of duty?

Following procedure should be followed for selling goods from the place of removal:

- Duty is not payable at the time of removal of goods from the place of sale as it was already paid at the time of bringing the manufactured goods from the factory.
- The goods should be moved based on commercial invoice.
- There should be declaration on the invoice that the goods are duty paid. It is suggested to have reference of excise invoice based on which the goods were removed from workshop to showroom.
- There could be variation between the price at which duty was paid (*normal transaction value*) and actual transaction value with customer. Proper reconciliation statement should be made to justify the difference in prices. As suggested if the basis on which duty was paid is indicated in the excise invoice, it will prevent problems that may arise in future.
- The goods should be recorded in the outward registers maintained at the gate.

90. What is the procedure to be followed for servicing and repair activities?

A. Own goods

- (i) The rejected goods can be linked to the original invoice under which it was removed. Where the customer does not provide his invoice stating that duty has been paid, assessee shall link the receipt to the original sales invoice under which the goods had initially been removed.
- (ii) The entry in the records should have the relevant information.
- (iii) After the process, the goods can be removed to the customer or any other person, if no re-manufacture is involved.
- (iv) Alternately excise duty to be paid on the transaction value disclosed on excise invoice, if manufacture is involved as may be applicable on the basis of the price at which remanufactured goods are sold.

B. Procedure of repair, reprocessing etc amounting to manufacture.

- (i) Goods received shall be issued to production just like other normal



issues with a separate series of issue slips.

- (ii) The processed goods shall be accounted in the Daily Stock Account and the same may be removed as other removals on transaction value basis under an invoice U/R 11.
- (iii) The duty on the removals will be at the rates applicable on the date of removal on the transaction value disclosed in invoice as applicable.
- (iv) Duty initially paid @ 1% shall not be eligible for credit.

C. Process not amounting to manufacture.

- (i) Goods, say Jewellery of gold on which 1% ED paid are to be issued to production under special series of issue slips.
- (ii) Subsequently after process, details of goods are to be entered in repairs register as said above.
- (iii) As the process does not amount to manufacture, there is no need to pay duty again.

91. What is the procedure to trade from manufacturing location?

The suggested procedure is as under:

- (i) The manufacturing activity has to be segregated from the trading activity physically (as far as possible) though the same is carried from the same location.
- (ii) Proper documentation is to be maintained for the trading goods as to purchases/receipts, issues and balance (separate from the manufactured goods).
- (iii) Subsequently for removal of trading goods it is preferable to maintain a separate invoice book serially numbered (different from the excise invoice) after prior permission of ACCE/DCCE.
 - (a) If the excise invoice itself is used even for trading goods, a clear indication on the invoice "TRADING GOODS" shall be made.
 - (b) The classification of sales in the balance sheet to clearly indicate traded goods, manufactured and serviced if any separately.

92. What is the requirement to file the return under excise?

The assessee covered under jewellery sector and paying duty @ 1% would be permitted to file simplified return quarterly in the form ER-8.

93. When does the liability to pay duty arise?

Duty need not be paid at the time of each of removal. It should be paid on or before 6th of the succeeding month (6th after end of quarter in case of SSI units) through internet banking. For the month of march, duty needs to be paid by 31st March.