

Updation on FAQ's on GST as on 6th July 2017.

1. How to prepare invoice?

Ans. Whenever registered jeweller sales gold ornaments either to registered jeweller or unregistered retail customer, making charges shouldn't be shown separately. The entire making charges should be added into price of gold and 3% GST should be levied.

2. What is job work?

Ans. When a registered jeweller handover the goods for treatment, processing, manufacturing etc. it is called job work. If the job worker is registered he will collect 5% GST from registered jeweller on making charges.

3. Reverse charges.

Ans. When a registered jeweller handover goods to unregistered job worker for treatment, processing and manufacturing it is also called job work. However, if the job worker is not registered, jeweller is required to pay 5% GST under reverse charge mechanism (RCM) on the making charges.

4. Exchange of old bullion/jewellery against new gold jewellery.

Ans. Let's say for example an unregistered retail customer has bought jewellery in 2012 for Rs. 20,000. The market value of this jewellery on the date of sale say is 1 lakh rupees. Suppose this retail customer wants to exchange this old jewellery for new jewellery worth Rs. 1.40 lakhs. In this case a jeweller will purchase old bullion/ jewellery for Rs. 1 lakhs and pay 3% GST on reverse charge mechanism (RCM). Jeweller will also collect 3% GST on sale of Rs. 1.40 lakhs. However, jeweller will get input credit of tax paid under reverse charge. It must be remembered that an unregistered retail customer have to pay capital gain tax on Rs. 80,000 in the above case.

5. Repairing of jewellery.

Ans. When an unregistered retail customer goes to a registered jeweller for repairing/ polishing of jewellery, 18% GST will be collected by registered jeweller from the retail customer. If during the course of repairing there is any addition in gold component than 3% GST will be collected by a registered jeweller from the retail customer on the value of gold added.

6. Conversion of bullion/ jewellery.

Ans. When an unregistered retail customer goes to a registered jeweller for converting bullion/ jewellery by melting and remaking, 18% GST will be collected by registered jewellery from the retail customer.

7. Wastage and melting loss.

Ans. Reasonable melting loss will be accepted during the course of manufacturing provided the recovery out of such melting loss is sold and credited in the jeweller's books of account.

It is also noticed that many jewellers pay labour charges through wastage mechanism to job worker. This system will lead to double GST payment as paying labour charges through wastage is nothing but exchange of gold.

8. Collection of gold by contractor/ wholesaler from job worker.

Ans. It is noticed that many jewellers are handing over goods for job work through a contractor/ wholesaler. It must be noted that when registered jeweller handover goods directly to job worker and not through a mediator only 5% GST is levied. It is advisable to treat a contractor/ wholesaler as commission agent but goods for manufacturing must be handed over directly by a registered jeweller to a job worker.

9. Exhibition.

Ans. Suppose a jeweller is registered in the state of Rajasthan and want to participate in the exhibition in Maharashtra than a jeweller must apply for a temporary registration number in state of Maharashtra.

This number will be granted on advance payment of estimated tax levied. As per the report published by Economics Times the temporary number may be granted on bank bond or bank guarantee. Whenever, the exhibition is over and goods are again moved from Maharashtra to Rajasthan, input credit will be available for tax paid earlier. Please note that a jeweller will get only input credit and not refund.

This rules will also apply to foreign companies and NRI's who wants to participate in exhibition. Please note that no insurance claim will be eligible in case of violation in any of the above procedure.

Jewellers/ Members are requested to consult their tax consultants.

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