“A Study On Impact Of Goods And Services Tax On Gold Sector”

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Abstract: GST is also known as the Goods and Services Tax is defined as the indirect tax structure designed to support the economic growth of the country. More than 150 countries have implemented GST. There are mixed response, argument and opinion among the traders, manufacturers and society about the GST to be implemented by the government of India from 1st July 2017. GST process is an important event in Indian tax system. It changes the country into one united common market. It will reduce the existing complexity of taxes as it contain VAT, Excise duty, Service tax and Sales tax. Secondary data was collected. GST could Impact Jewelry sector could negatively impact jewelers working capital having to pay 3% GST on Gold. The performance of GST has a great impact on Gold, physical demand for gold have decreased because of the 3% GST that is imposed upon 10% of import duty. Earlier the gold tax was 1% service tax and 1% VAT, amounting to 2%. GST have increased the tax rate of gold to 3%.

Keywords: Goods and Service Tax (GST), Gold

I. Introduction:

GST came into picture in the year 2017 on 1st of July, through the course of the constitution of India by the Modi government. The tax returned existing multiple falling taxes levied by the central and state government. GST-Goods and Service Tax is an indirect tax levied in India on the sale of goods and services. GST have five tax slabs-0%, 5%, 12%, 18%, 28%. The tax rates of goods and services tax are governed by the GST council. GST eliminates the cascading effect of tax and also improves the efficiency of logistics. GST help in reducing number of indirect cost. For manufacturing industries it has multitudinal effect which leads to reduction in cost including inventory cost and transporting costs.

One of the oldest precious metal to be known to humankind, gold for thousands of years has been valued as an investment option. Gold has a long and fascinating history of being used in different industries and applications.

One of the last rates to be announced by the council was the rate of GST on Gold. Council decided to fix 3% GST on Gold. This also included 1% excise duty and an additional 1.5% as value added tax and tax on making charges 5%. Presently, gold attracts on import duty of 10% in addition to 3% GST, 5% making charges. The gold market is expected to become more transparent and organized because of GST. GST enables the cost gap to be reduced between organized firms selling gold and unorganized sector will get greater share in the market. Here customer may sell old items of jewelry and purchase new ones without any tax deductions. That by selling old jewelry, 3% GST is levied on the sale and when they purchase a new jewelry the tax which has already been paid will be deducted from GST on the purchase.

II. Literature Review:

Gold had got 3% GST as it was higher than other taxes. VAT was below their anticipated GST and some of the duties will remain the same. After implementation of GST it was increased marginally. Larger player got cost gap between the organized and unorganized player that will come down.[Harsh kundaria(June 30, 2017)]

There was a huge confusion over the old gold rates exchange for the new ornaments they had a burden of 3% GST on gold and 5% on their making charges. Their confusion did not affect with buying new jewelry which attracts 3%. While purchasing a new gold it charges 3% so they exchange their old gold and buy new which they have to pay reverse 3% to the government.[Ram sahgal(July 3, 2017)]

The issue of taxation of gold was expected by central and state when GST councils meet on February 18 in Udaipur. Central and state are giving 4% rate on gold metal on GST.[Surabhi (February 16, 2017)]

The demand of the gold is definitely considered while fixing the rates. As there is 1% excise duty and 1.2% VAT and 10% customs duty which comes to 12.43%. so here the jewelry comes to 3.24% that is the win for gold jewelers.[ Surendra Mehta (August 2, 2017)]
Objectives:
To identify the impact of GST on gold rates. To understand the effects of GST in gold rates in international Market.

III. Methodology:
This paper is based on Secondary data. Secondary data was collected by referring different journals, newspaper, magazines, and internet. This research uses descriptive technique for analysis.

Gold Rate After Gst:
The price of gold regime has seen some fluctuations after Goods and Services Tax (GST). Analysts were apprehensive that the tax would lead to a decline in demand for gold due to the high incidence of taxation. The GST for gold was fixed at 3%, with an extra 8% tax impose on making charges. The tax on the making charge was then decreased to 5% due to concerns raised by various groups.

The price of gold has been increasing after GST due to higher demand in the markets. Distance outlooks regarding the gold rate in India after GST visible to be mostly positive. For the time the jeweler sector appears to be substance with the price of gold after GST, though consumers have a few complaints over the rising cost.

Impact Of Gst On Gold:
The introduction of GST to the Indian context had a short term profound impact on Gold prices. The prices rose to a significant 2-month high, accounting for a drastically low physical demand, pertaining to 3% GST, which is levied upon 10% of import duty. In a nutshell, Gold has become expensive, by about 0.75% post the implementation of GST in India. GST improves supply chains efficiently by excluding double taxation. The gold industries can be made more transparent by coupling with recent hallmarking legislation and which will guarantee gold buyers have certainty in the gold products that they buy, rather than continuing to suffer from the gross level. The performance of GST has a great effect on Gold, because of the 3% of GST the demand for gold has been lower that is impose upon 10% of import duty. GST will bring greater transparency to the supply chain and bring more of the gold market into the formal sector. We expect this to make it harder for retailers to under carat their customers.

IV. Findings:
GST in India: Goods and service tax has taken India by the storm as it is believed that it will bring in “One nation one tax” to unite indirect taxes. The Indian GST case is assembled for systematic tax collection, minimizing in corruption, easy inter-state movement of goods, and improvement of the economy as well as clearance of the possibility of tax evasion with some other important discussions. The GST system has changed the Indian taxation system. In India the GST came into existence on 1st of July 2017 which was introduced in the Lok- Sabha on 29th March 2017, however it took long time to come under practice. Compare to other economies of the world Indian GST has the height rate of 18%. The GST in India was implemented after so many controversies, so let us have a look at the timeline of the GST implementation in India. Timeline of GST in India:

Impact of GST on Gold Import:
GST had a substandard impact on the import of Gold in India. It was reported in media that Gold importers are planning to import 25 tonnes of the precious metal from South Korea, pertaining to the government’s free trade agreement with South Korea, that which allows importers to ship in gold without having to pay 10% import duty. Interestingly, the trade agreement strike out the 10% import duty on Gold, while on the contrary, GST imposes customs duty of 10% on the import of Gold.

V. Conclusion:
The Goods and Services Tax, popularly known as GST India, was finally brought to light, on July 1st 2017. As a consequence, it transformed the way, transactions and, billings were realized, in major Gold and, jewelry shops, across India. After a discussion upon a suitable tax rate on Gold and, Gold jewelry, the government reached on a conclusion to levy 3% GST on the precious metal. However, jewelers across the
nation, took a sigh of relief, as the tax rate is much lower, as what was initially expected, going by the recent
trends in GST India slabs.

The tax rate on Gold has been increased to 3% GST, from the earlier 2%. Moreover, the making
charges stand at 5% GST, although, earlier it was planned to levy 8% GST on making charges, however, it was
criticized by many Gold associations in India, which made the government to return tax rate to 5%.The Gold
prices in India have been hiked a bit; however, it won’t have any great impact on the sale and, purchase of Gold,
pertaining to the fondness of Indians, towards precious metals.

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