

Central Excise Law and Procedure for Jewellery Industry

(Including 105 frequently asked questions)



The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

New Delhi

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Foreword

In order to broad base taxation and move towards GST in 2017, the Hon'ble Finance Minister Shri Arun Jaitley has proposed a levy of excise duty @ 1% without input tax credit and 12.5 % with input tax credit on articles of jewellery excluding silver jewellery, other than studded with diamonds/other precious stones. However, a jewellery manufacturer will be eligible for exemption from excise duty on first clearances upto Rs. 6 Crore during a financial year, if his aggregate domestic clearances during preceding financial year was less than Rs.12 crore.

There is some unrest amongst the jewellers against the new proposal. In a bid to pacify jewellers, the CBEC promised zero physical interface with tax officials, hassle free registration etc. The Government has also decided to constitute a sub-committee of the High level committee headed by Dr. Ashok Lahiri to study the issues in this respect. It has further been asserted that the move is aimed at including gold jewellery within the tax net in preparation of the goods and service tax regime (GST) and monitoring of black money was only part of the reason.

In order to support and acquaint the industry with the fine nuances of excise law and procedures and the implications of the amendment, the Indirect Taxes Committee of ICAI is bringing out this publication "Central Excise law and procedure for jewellery industry". The publication tries to address the major concern areas of the jewellery industry. It will prove very beneficial to its users including revenue officers, industry or professional advisors.

We compliment CA. Madhukar Hiregange, Chairman, CA Sushil Kumar Goyal, Vice-Chairman and other members of Indirect Taxes Committee for bringing out this timely publication.

We wish you all a wonderful learning experience.

Date: 29th March 2016

Place: New Delhi

CA. M Devaraja Reddy
President
ICAI

CA. Nilesh S. Vikamsey
Vice President
ICAI



Preface

In 2005, Central Excise Duty @ 2% was imposed on branded Jewellery. The collections of excise duty from this sector were reported to be merely Rs.16 crore till 2008 which as per the statistics was said to be less than one-tenth of the cost of collection of excise duty for this section. Hence, the excise duty was withdrawn in 2009.

In Budget 2011, the duty was re-introduced @ 1% on branded precious metal Jewellery. From 17.03.2012, the levy of duty was further extended to all Jewellery whether branded or unbranded. However, to simplify its operation and minimize its impact on small artisans and goldsmiths, it was proposed to:

- (a) charge the excise duty on tariff value equal to 30% of the transaction value;
- (b) to extend SSI exemption up to annual turnover not exceeding Rs.1.5 crore for units having a turnover below Rs.4 crore in the preceding year;
- (c) to compute turnover on the basis of tariff value; and
- (d) to place the onus of registration and payment on the person who gets Jewellery manufactured on job-work.

At the same time it was also proposed to fully exempt branded silver Jewellery from excise duty. These changes, led to lot of agitation across the country for withdrawing the duty and as a result Central Excise duty was exempted.

Union Budget 2016-17, as announced on 29th February 2016, has proposed to withdraw the exemption provided earlier w.e.f. 1st March 2016 which means the Central Excise duty @ 1% is imposed on all the Jewellery articles except silver Jewellery not studded with studded with diamonds, ruby, emerald or sapphire.

This has led to widespread protests and strikes taking place on account of the facts that procedures are cumbersome and it may not be possible to be judiciously followed by this largely un-organised sector. Another reason for opposition might be the fact that this industry may have a huge parallel part which works in cash. The Government has not given in to the opposition till date as they intend to bring this industry to the mainstream and reduce the transactions in black money. On 20th of March there was announcement that the protests from the industry were called off with the assurance given by the

Government with lot of procedural relaxation and addressing all the concerns in compliance aspects.

In order to help the industry to understand the dynamics of the Central Excise as is relevant to them and also giving guidelines as to procedural compliances as well the Indirect Taxes Committee of ICAI has brought out this publication "Central Excise law and procedure for jewellery industry".

The publication covers the basic understanding of Central Excise Law and its introduction to Jewellery sector post Budget 2016-17, issues referred with supporting provisions, formats and explanations etc.

We express our sincere gratitude and thanks to CA M. Devaraja Reddy, President, ICAI for his vision of bringing out short, simple and effective publication which could be understood and acted upon by the readers. We would like to thank CA. Rajesh Kumar T R, CA Sudhir V.S., CA Ashish Chaudhary, CA. Roopa Nayak and Mr. Nagendra Hegde, for providing their assistance to this endeavor. We would especially like to acknowledge the valuable inputs from Mr. BSV Murthy, retired CESTAT member. Last but not the least we would extend our heartfelt appreciation to the members of the Indirect Taxes Committee for their support and guidance.

We wish the readers an enriching learning experience.

Date: 29th March 2016

Place: New Delhi

CA. Madhukar Narayan Hiregange
Chairman
Indirect Taxes Committee

CA. Sushil Kumar Goyal
Vice Chairman
Indirect Taxes Committee

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Chapter 1

Introduction to Central Excise

Central Excise law is one among the oldest levies in India which was introduced in formal way by British Rule in India during pre-independence. The same continued even after independence as it was one of the main sources of revenue for Government of India.

On its introduction by British, in order to have a good administrative control over Indian manufacturing industry and avoid any loss of revenue, strict procedural compliances were implemented with lot of physical control mechanisms.

Unfortunately even after the independence we continued with those bureaucratic approach fastened with lot of control over the manufacturing units without giving freedom to them to operate. Though some attempts are made relax the same, each change in the Government will roll back some of the changes and take back the industry to same old mindset of they being slaved by the departmental officers.

From the compliance perspective in respect of Jewellery sector as an exception various relaxations from procedure have been made to see to it that they are given comfort to enter into Central Excise universe.

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;

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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
 - o opening balance;
 - o receipts/manufacture;

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- 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.

If any person who wants to understand the statutory provisions relating to Central Excise such person has to the sources of law which in the present context are :

- (a) Central Excise Act, 1994;
- (b) Central Excise Tariff Act, 1985;
- (c) Central Excise Rules, 2002;
- (d) Cenvat Credit Rules, 2004;
- (e) Relevant Notifications issued under the above provisions;

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.

Central Excise Law and Procedure for Jewellery Industry

- (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.

The above discussed basic understanding of Central Excise Law in general and certain provisions specific to Jewellery sector are elaborated at relevant places as is necessary to make the concepts clear.

Chapter – 2

Taxability of Jewellery Industry Post Budget 2016-17

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.

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- (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

Taxability of Jewellery Industry Post Budget 2016-17

- (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.

Chapter – 3

Taxability, Valuation and Payment of Duty (By way of FAQs)

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?

Taxability, Valuation and Payment of Duty

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. The products covered under these headings are below:

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.

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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. Does it mean mere affixing of brand name or trade name is manufacture?

Yes, as per the definition of deemed manufacture in the chapter note, mere process of affixing the brand name amounts to manufacture. But it is to be noted that the identity put by a jeweller or the job worker, commonly known as "house-mark" shall not be considered as a brand name. Hence, the process of affixing the house mark shall not amount to manufacture.

9. Is there any clarification with regard to house mark as against Brand name?

TRU vide its letter dated 25th March 2011 issued along with Budget 2011 changes had clarified in this regard as follows:

Whether a particular name or mark or symbol etc. is a brand name or not is a matter of fact, and can be ascertained from the manner in which it is understood in commercial or trade parlance. The test of goods being branded would be if the buyer seeks to buy the goods because they bear or are sold under a particular brand. As such, a mere mark of identity put by a jeweller or the job worker, commonly known as a "house-mark" shall not be considered a brand name. Some illustrations are given below to explain the scope of the term "brand name":

- (i) A manufacturer, say "ABC Jewellers", getting jewellery or other articles manufactured on his behalf from gold smiths/ job-workers who put a mark/sign/initials, etc. on the jewellery/ article. This is only to identify

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that the article or jewellery was received from a particular goldsmith, etc. This is not branded jewellery and will not attract duty.

- (ii) "ABC jewellers", when it sells articles of jewellery to customers, puts a distinctive sign/ mark/ initials etc. on the jewellery- very often a simple acronym of his name e.g. ABC. It may be noted that mere alphabets or numerals (unless stylized) cannot be registered as a brand name or trademark. This is again for the purpose of identification when the customer re-sells or returns the jewellery or article and goods bearing it would not attract the levy.
- (iii) "ABC jewellers" advertises and sells its products under the brand "Star" or puts a logo like ABC or ABC i.e. in a stylized manner. It also puts the same brand name or an abbreviation thereof or a mark which has a connection with such brand name either on the jewellery or article itself or on the packing such as the jewellery box or pouch or even on the warranty card or certificate of quality. Such goods will clearly be treated as branded and will be liable to duty.

10. 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.

11. 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.

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12. How can it be established by the manufacturer of Jewellery or the person getting Jewellery manufactured established that the appropriate duty is paid on the inputs used for manufacture of Jewellery?

Law does not provide for any such process or procedure. Further legally speaking it is the burden upon the manufacturer to establish the same. Accordingly it becomes difficult to establish the same.

Therefore it is suggested that representation be made to Government the condition No. 16 for the purpose of sl. No. 199 be amended to only read as "*If no credit under rule 3 or rule 13 of the CENVAT Credit Rules, 2004 has been taken in respect of the inputs or capital goods used in the manufacture of these goods*".

13. 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

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- 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;

14. 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.

Though initially there was option to job worker also to get registration, but the same was omitted 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.

15. 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);

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- 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.

16. 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.

17. 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%.

18. 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.

19. 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

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for personal use or consumption of employees. Credit on these expenditure is not eligible.

20. 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.

21. 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%;**

22. 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.

23. 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.

24. 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,

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there is no liability of excise duty on the same and thereby it is not liable for duty.

25. 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.

26. 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.

27. 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.

28. Affixing brand on the ready Jewellery purchase and further sale in the market whether attracts excise duty?

If after purchasing the Jewellery, the brand name of the purchasing jeweler is affixed, it would be leviable to central excise duty on the activity of branding, by way of trade/brand name or any such mark/symbol which is deemed to be an activity amounting to manufacture.

29. 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.

30. 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

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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.

31. 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.**

32. 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.**

33. 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.

34. 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.

35. 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

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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).

36. 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.

37. 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.

38. 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.

39. 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.

40. 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.

41. 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.

42. 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.

43. 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]

44. 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.

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45. 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.

46. A retail end-user may have a transaction for (say) Rs.2 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.**

47. 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

48. 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.

49. If a person purchases the Jewellery from other manufacturer bearing his brand name. Who shall be liable to duty of excise?

Where the goods are purchased from other manufacturer bearing (buyer) brand name, the liability to pay duty of excise is on original manufacturer.

The brand owner need not to pay any duty on the subsequent sale of goods to customer.

50. 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%.

51. 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.

52. 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.

53. 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. Realxation for the payment at intila point of removal maybe sought from Government.

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54. 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 could be made to government to provide credit of central excise duty paid on jewellery returned and melted and converted into new jewellery.

55. 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.

56. 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.

57. 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.

58. 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.

Chapter – 4

Small Scale Exemption (By way of FAQs)

59. What is Small Scale Exemption in General?

Small scale exemption is extended vide Notification No. 8/2003- CE to small manufacturers so that they are not burdened with compliance under excise. The exemption is available to manufacturers upto domestic clearance of Rs. 1.50 crore provided their total clearance in the previous year does not exceed Rs. 4 crore. In calculation of 4 crore limit, clearance of exempted goods also need to be included.

60. 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

61. 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.

62. 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.

63. If a person manufactures and sells (not job work) it to brand owner with his brand name whether manufacturer is eligible for SSI exemption?

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SSI exemption is not available for the goods manufactured under brand name of other. The duty shall be leviable from the first clearance.

However if the manufacturer is manufacturing the Jewellery under his own brand name, this restriction does not apply and is eligible for exemption.

64. Whether there is any exception to ineligibility of SSI exemption in case of using brand name of others?

SSI benefit may be claimed on branded goods in Jewellery sector even if the goods are manufactured under the brand name of other under following circumstances:

- Goods manufactured in rural area: SSI benefit is available on goods manufactured under other's brand name if goods are manufactured in rural area. Rural area means the area comprised in a village as defined in the land revenue records.
- Manufacturer of packing material with brand name of other: SSI exemption is available to manufacturer of specified packing materials even if they bear the brand name of other persons.

65. 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.10Cr. The table hereunder gives some clarity on the subject

<i>Year</i>	<i>Value of clearance (in Rs.)</i>	<i>Previous clearance Less than Rs. 12cr</i>	<i>Exemption (In Rs.)</i>	<i>Dutiable (In Rs.)</i>
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

Chapter – 5

Registration (By way of FAQs)

66. 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.

67. 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.

68. 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.

69. 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.

70. 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.

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71. 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.

72. 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.

73. 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.

74. 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.

75. 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.

Registration

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.

76. 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.

77. 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.

78. 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.

79. 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%).

80. 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.

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81. 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.

82. 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.

Chapter – 6

Invoicing (By way of FAQs)

83. 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.

84. 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.

85. 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.

86. 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.

87. 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.

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

88. 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

The format of invoice is given in Annexure 1

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.

89. 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).

90. 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.

91. 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.

Chapter – 7

Procedures, Record Keeping and Returns (By way of FAQs)

92. 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%

- (i) **Daily Stock Account (Production Register):** Normal records maintained by assessee shall be acceptable. Standard format is given in Annexure 2
- (ii) **Input stock register:** In order to account for the materials received and issued from stores. The format is given in Annexure 3
- (iii) **Input service credit register:** To give details of input service credit availed. Refer Annexure4 for format

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

- (i) ***Procedure for sending goods to job worker:*** The goods should be sent under a challan, consignment note or any other similar document. The details to be furnished are given in Annexure5:
- (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.
- (iii) ***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. Refer annexure6 for format.

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

Procedures, Record Keeping and Returns

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 as per format indicated in Annexure 7

95. 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 information given in Annexure 8
- 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 information as per Annexure 9.
- 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

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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.

96. 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.

97. 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.

Procedures, Record Keeping and Returns

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.

98. What is the format of Input Service Credit Register?

Refer Annexure 4 for format of input service credit register.

99. What is the format of input credit register for availing credit of duty paid on inputs?

Refer Annexure 10 for format of credit on input (raw material). This may not be relevant in case of 1% payment of duty.

100. What is the format of capital goods credit register for availing credit of duty paid on capital goods?

Refer Annexure 11 for format of credit on capital goods. This may not be relevant in case of 1% payment of duty.

101. What is the format of finished goods register?

Refer Annexure 2 for format of finished goods register.

102. 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 information provided in Annexure 12.
- (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.

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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.

103. 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.

Procedures, Record Keeping and Returns

104. 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.

105. 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.

Chapter – 8

Annexures (Formats)

Annexure 1 :Excise Invoice Format

Invoice for Removal of Excisable Goods from a Factory/registered premise on Payment of Duty (Rule 11 of Central Excise Rules 2001)					
XYZ Ltd., Bengaluru					
Regd. Office: Factory: Excise Regn. No.			Range: Division: Commissionerate		
Bill to (Buyer details) PO ref			Copy of Invoice: Original/duplicate/ triplicate		
Shipped to (Consignee details) with details of his jurisdictional office CETH of the goods-			Invoice number: Date of invoice: Date of removal: Time of removal: Vehicle number: DC number (if any):		
S. No.	Item description	Assessee Item code	Qty	Rate per unit	Transaction value
1.	Gold Jewellery				
Excise duty on assessable value @ 1%					
Total excise duty in words			Total (for VAT/CST cal.)		
			VAT/CST		
			Total Invoice value		
"Certified that particulars given above are true and correct and the amount indicated represents the price actually charged by us and there is no additional consideration flowing directly or indirectly from such sales over and above what has been declared.					
E. & O.E.					
Prepared By: Authorised Signatory				Checked By:	

Annexure 2: Finished goods register (Daily Stock Account)

Date	Opening balance of finished goods	Qty mfd.	Quantity cleared			Assessable value of goods cleared	Excise Duty	Invoice Ref.	Closing balance	Remarks
			For Home Consumption	For Export	For other exempted clearances					

Annexure 3: Input stock Register

Description of item						
Excise Chapter Heading						
			Quantity			
SINo	Invoice No.	date	Opening Stock	Receipt	Issue for prod.	Closing Stock

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Annexure 4: Input servicecredit register

Co. Name:

ECC no:

Month:

Sl. No	Service Provider name	ST registration no	Invoice ref	Nature of Service	Assessable value	Service Tax	Remark	Date of Payment	Ref

Annexure 5: Details on challan or consignment note based on which goods sent to job worker

Name of consignee				
Registration no.				
Description of Goods			Time of removal	
Classification of Removal			Removal date: -	
			Mode of transport -	
			Vehicle reg. No: -	
Quantity of goods	Value of goods	Rate of duty	Duty payable	
Self declaration				

Annexure 6: Job work register

Issue Details

Date	Outward DC ref	Job worker name	Sent for	Description	Qty lying with JW	Qty sent	Closing balance

Receipt Details

Date	DC no of Job worker	Description	Qty received	Scrap received	Shortage/ Scrap not received	Invoice ref of Job worker	Remarks

Annexure 7: Scrap register

SR. no.	Date	Opening balance	Scrap generated during mfg	Sale of scrap	Tariff heading of Scrap	Assessable value	Excise Duty	Closing balance

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Annexure 8: Details of information in challan for sending the goods to workshop

M/S XYZ		C.Ex. Reg No.	
Range-		Division-	
Despatched to: - (Name and Address of work shop to be provided)		Challan No. Despatch date: - Authorised By: - Priority No: -	
Item description (Spacing to be adjusted	Item code According requirement	to Item quantity	
Value of items sent: -			
Date of despatch of goods from work shop's factory: - Nature of the process undertaken: -			
Item description (Details of the processed	Quantity sent Goods despatched from	Balance to be sent The work shop's premises)	
Quantity of waste generated if any: - Waste sent or not (Y/N): -		Authorised By: -	
Date of receipt back into factory: -		Received By: -	

Annexure 9: Outward processing register

Date		
purchase order no. -		
Workshop to whom material are sent		Challan No. Despatch date: - Authorised By: -
Item description (Spacing to be adjusted)	Item code According to requirement)	Item quantity
Value of items sent: -		
Nature of the process undertaken: -		
Item description (Details of the processed)	Quantity sent	Balance to be sent
OC Number of the workshop through which the materials are sent back		
Item received	Quantity received	Balance lying with workshop

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Annexure10 : Input credit register

Co. Name:

ECC no:

Month:

Sl. No	Description of goods	Excise Rg. No.	Invoice ref	Chapter heading	Assessable value	Excise duty	Remark	Date of Payment	Ref

Annexure11: capital goods credit register

Co. Name:

ECC no:

Month:

Sl. No	Description of goods	Excise Rg. No.	Invoice ref	Chapter heading	Assessable value	Excise duty 50% availed in current year	ED 50% deferred for next year	Date of Payment	Ref

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Annexure 12: Information in the records maintained for receipt of goods for servicing and repair

Customer Name	Date of receipt	Doc. Ref of receipt	Date of original dispatch	Original doc ref	Description of goods	Full qty of invoice
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Qty returned	Appropriate duty amt on qty returned	Date & doc for issuing goods for repair	Process involved in repair (brief)	Date of completion	Date and number of invoice for removal after repair	Transaction value	Excise Duty
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