

Publication: Afternoon Dispatch & Courier

Headline: Why Indians prefer imported gold bars

Edition: Mumbai

Date: 16th May, 2011

Coverage –

« BULLION



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Why Indians prefer imported gold bars

We are born with gold and we will die with it. Such is the Indian mentality for gold and nowadays even for silver.

Up until 1990, Indians were not supposed to hold Indian gold bullion privately due to the Gold Control Act. These days, gold bullion is the second most preferred investment vehicle for Indians after bank deposits. However, for traditional families, probably it's their first preference.

After 1990 the increase of Indian gold bullion in the form of small bars, both imported and local, increased significantly to where India now consumes around 800 tonnes of gold a year. This is around 20 per cent of the global demand for gold.

However, the government decision of imposing 1 per cent excise duty on branded jewellery (which also includes gold and silver coins) has created a negative impact on the gems and jewel industry even when this industry has been showing healthy growth prospects.

Finance Minister Pranab Mukherjee levied 1 per cent excise duty on branded jewellery and branded articles of precious metals. Gems and jewellery industry have expressed disappointment over reintroduction of 1 per cent excise duty on branded jewellery in the Union Budget and called for a rollback of the decision.

The reintroduction of the abolished 1 per cent excise duty on branded jewellery is a retrograde step. This will burden the gems and jewellery industry enormously and hamper its growth.

Five years ago a representation was made to the Government and subsequently the excise duty was withdrawn two years ago.

The entire industry, is working towards ethical, transparent trade practices. These kinds of levies will create hurdles and encourage corruption.

Levying this duty has increased the cost of Indian gold bars and coins and hence the Indian buyer would prefer to buy imported bars which are free of any such kind of duty.

Moreover, this has led to the increase in the number of jobless people, as demand for Indian bullions is reducing.

This decision should be reconsidered as it has heavily affected one of the leading industries in India. This has also added to the Indian mentality that "imported gold" is more pure than Indian.

For the common man bullions are already expensive, and this levy of excise duty has made it more difficult for Indian buyers to make their purchase decisions regarding bullions.

The levy of 1 per cent excise duty on branded jewellery will hurt the industry on the back of spike in the gold, silver, diamond prices and reduce their margins.

The industry was expecting government to provide tax relief which was not addressed in Union Budget.