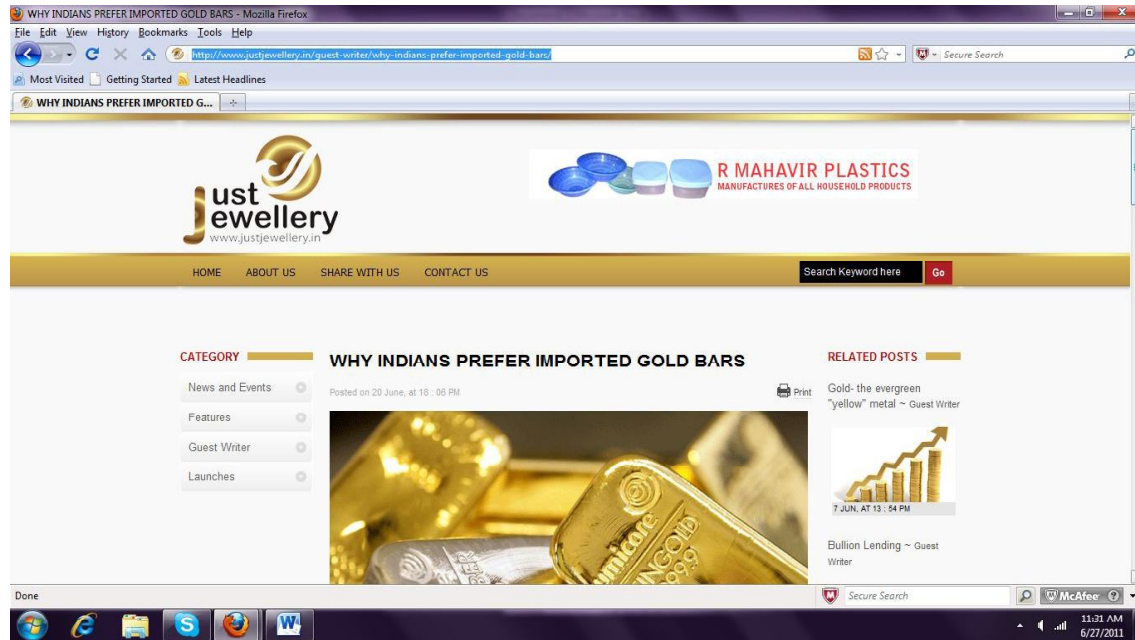


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WHY INDIANS PREFER IMPORTED GOLD BARS

Posted on 20 June, at 18: 06 PM



We are born with gold and we will die with it. Such is Indian mentality for gold and now a days even 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 and for traditional families, probably the first.

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 percent of the global demand in gold.

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

Gems and jewellery industry have expressed disappointment over reintroduction of 1% excise duty on branded jewellery in the Union Budget and called for a rollback of the decision.

The reintroduction of the abolished 1% excise duty on branded jewellery is a retrograde step. Five years ago a representation was made to the Government and subsequently the excise duty was withdrawn two years ago,

Finance Minister Pranab Mukherjee levied 1% excise duty on branded jewellery and branded articles of precious metals. This will burden the gems and jewellery industry enormously and hamper its growth. The entire industry, is working towards ethical, transparent trade practices. These kind 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.

More over, 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

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.



Prithviraj Kothari, Managing Director, RSBL and current president Bombay Bullion Association, (BBA)