

# Duty hike may spur gold purchases by travellers returning from abroad

■ Import duty change to hike domestic prices by 9.24% compared with global rates

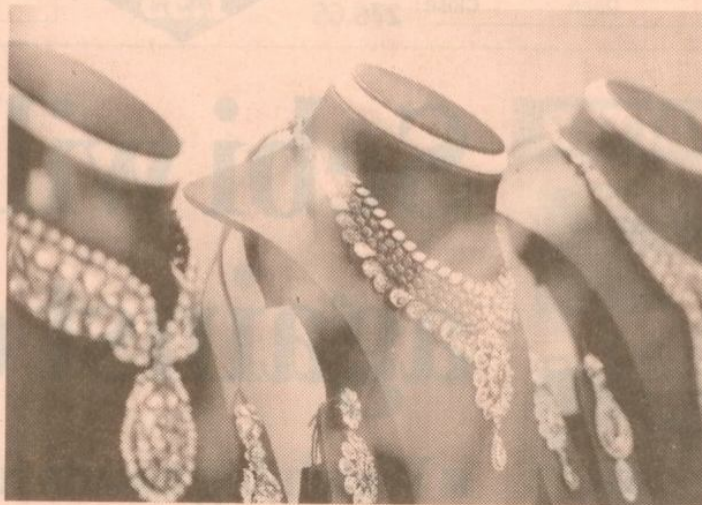
**Banikinkar Pattanayak**

**New Delhi, June 6:** It's a golden moment for Indian fliers, literally. Travellers would now be increasingly tempted to buy gold jewellery from abroad for carrying back to India, as the government's decision to raise the import duty on the precious metal by 2% will widen the difference between the domestic and international prices to a whopping 9.24%.

India, the world's top bullion consumer, currently allows each male and female passenger flying abroad to bring gold jewellery worth up to ₹50,000 and ₹1,00,000 respectively, back to the country without any duty. This means a couple can carry almost 55 grams of gold jewellery back to India and save nearly ₹14,000 on it.

"The import duty of 8% on gold, coupled with the educational cess and a 1% value-added tax, works out to 9.24%. These apart, a 1% TCS (tax collection at source) is also applicable on cash sale (in the domestic market)... Every Indian going on a holiday abroad might be tempted to carry some gold back (in prescribed limits as per government norms), as the saving could help paying a part of the trip," said Prithviraj Kothari, managing director at Riddisiddhi Bullion and former president of the Bombay Bullion Association.

The hike in the import du-



**INDIA CURRENTLY ALLOWS EACH MALE AND FEMALE PASSENGER FLYING ABROAD TO BRING GOLD JEWELLERY WORTH UP TO ₹50,000 AND ₹1,00,000 RESPECTIVELY, BACK TO THE COUNTRY WITHOUT ANY DUTY**

ty to 8% from 6%, preceded by restrictions by the Reserve Bank of India on gold imports by canalising agencies like MMTC and STC, would lead to a rise in smuggling of gold and related products, he said.

## Gold drops in Asian trade, shines in India

Gold tumbled in Asian trade on Thursday, a day after India raised an import duty on the precious metal for a second time this year, renewing concerns about demand in the world's largest consumer. Although apprehensions about further policy aggression by the Indian government intensified, strong Chinese purchases

and uncertainties about a rollback of bullion-friendly stimulus measures by the US Federal Reserves somewhat bridled the losses. Gold prices in Delhi, however, edged up to a five-week high as buyers scrambled to buy the bullion before the government cracks down further to curb supplies.

Analysts said India's policy stance to contain imports will pressure global gold demand. Finance minister P Chidambaram asked banks on Thursday to discourage customers from investing in gold, while financial services secretary Rajiv Takru said the government might take more measures, if required, to

curb imports. The comments came a day after the government raised the import duty on gold to 8%, an effective eight-fold hike since January 2012, and just two days after the central bank imposed restrictions on gold purchases by canalising agencies, aimed at trimming a runaway current account deficit.

Spot gold dropped 0.5% to \$1,396.36 by 0656 GMT after a marginal gain on Wednesday when investors looked for haven assets following the release of weak US jobs market data.

In contrast, gold prices in Delhi went up by ₹430 to ₹28,090 per 10 grams as consumers feared further measures to trim gold imports. Gold has been trading at a premium of \$15 an ounce in India over the global rate for the past two weeks, thanks to strong physical demand.

## Curbing supplies to lead to non-transparent price premiums, says WGC

Voicing concerns about latest measures by the government and the central bank to curb gold supplies, the World Gold Council (WGC), a miners' body, said on Thursday that demand for gold, whether in the form of jewellery or investment, is driven by "millions of individuals investing as part of their household savings and is not discretionary spending for consumption".