

Government of India
Ministry of Finance
Department of Revenue
Tax Research Unit

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D.O. F. No. 354/25/2016 – TRU (Pt.-I)
New Delhi, the 26th July, 2016

Dear Sir / Madam,

Vide Circular No. 1021/9/2016-CX dated 21.03.2016 the Central Government had decided to constitute a Sub-Committee of the High Level Committee (HLC) to interact with Trade & Industry and look into the issues related to compliance procedures for the excise duty on articles of jewellery, including records to be maintained, forms to be filled, Rule 12AA, operating procedures and any other issues that may be relevant. The said circular also provided that the registration of the establishment with the central excise department can be taken within 60 days from 1st March, 2016 and the liability for payment of central excise duty would be with effect from 1st March, 2016, and as a special case for the month of March, 2016, the assessee jewellers would be permitted to make payment of excise duty along with the payment of excise duty for the month of April, 2016.

2. Subsequently, vide Circular dated 23.04.2016 and Circular dated 01.07.2016, the time limit for taking central excise registration of an establishment by a jeweller was extended up to 31.07.2016. Further, it was provided that though, the liability for payment of central excise duty will be with effect from 1st March, 2016, the assessee jewellers may make the payment of excise duty for the months of March, 2016; April, 2016 and May, 2016 along with the payment of excise duty for the month of June, 2016 upto an extended date of 31.07.2016.

3. In this regard, the above mentioned Sub-Committee of the HLC had submitted its report on 23.06.2016. The recommendations of the Sub-Committee have been accepted by the Government. Accordingly, notification No.'s 26/2016-Central Excise to 29/2016-Central Excise; No.'s 33/2016-Central Excise (N.T.) to 40/2016-Central Excise (N.T.); and Circular No. 1040/28/2016-CX to No. 1045/33/2016-CX have been issued to give effect to such accepted recommendations.

4. The changes and clarifications are summarised in the two Annexes appended to this letter:

- a) Annex I - contains a brief summary of the amendments made vide various notifications to the existing Tariff and Non-Tariff notifications and issuances of new rules namely the Articles of Jewellery (Collection of Duty) Rules, 2016.
- b) Annex II - contains a brief summary of clarifications and instructions issued by way of circulars.

5. In this context, I would like to highlight the following provisions which deal with the major changes relating to the manner of payment of excise duty on article of jewellery or parts of articles of jewellery or both [hereinafter referred to as articles of jewellery]:

- a) Excise duty liability will be payable at the time when an article of jewellery falling under heading 7113 is **sold for the first time (first sale)** from the registered premises or from the centrally registered premises, or branches of such centrally registered premises, by the manufacturer or principal manufacturer at such first sale value.
- b) For this purpose, such first sale value [except in case of articles of jewellery which are manufactured from the precious metal provided by the retail customer] has been notified as **the tariff value** under sub-section (2) of section 3 of the Central Excise Act, 1944. In case of articles of jewellery, which are manufactured from the precious metal provided by the retail customer, the tariff value will be equal to the sum of the value of additional material used by the manufacturer or the principal manufacturer for making such article of jewellery, labour charges charged by the manufacturer or the principal manufacturer and the value of precious metal provided by the retail customer.

5.1. The excise duty on articles of jewellery will be payable at the time of first sale. However, in many cases the manufacturer or the principal manufacturer, may be dealing in both the manufactured articles of jewellery [on which excise duty is yet to be paid] and traded articles of jewellery [on which appropriate excise duty, including Nil duty, has already been paid]. That being so, a manufacturer or principal manufacturer shall maintain separate physical stocks of manufactured articles of jewellery and traded articles of jewellery and show their values separately in the first sale invoice, and accordingly determine his excise duty liability [Rule 8 (3) of the Articles of Jewellery (Collection of Duty) Rules, 2016 refers].

5.2. However, if a manufacturer or the principal manufacturer is not able to maintain separate physical stocks of manufactured articles of jewellery and traded articles of jewellery and show their values separately in the first sale invoice, he may opt for the optional scheme under rule 12 of the Articles of Jewellery (Collection of Duty) Rules, 2016. The salient features of this scheme are as under:

- a) For availing the optional scheme under the said rule, a manufacturer or principal manufacturer shall maintain,-
 - i. a record containing the stock details of manufactured articles and traded articles separately for silver studded articles; gold or platinum articles studded with diamonds; and other gold or platinum articles, on weight or caratage basis; and
 - ii. a record of the value of such traded articles separately at their purchase prices.
- b) The opening stock, sales and closing stock of these three types of articles of jewellery shall be calculated separately for assessing the excise duty payable on them. Excise duty payable by a manufacturer or principal manufacturer for a month shall be the sum total of excise duty payable on these three types of articles of jewellery for the month.
- c) Under this scheme, a manufacturer or the principal manufacturer will pay excise duty on his first sale value, by treating his first sales during a month solely as sale of manufactured articles of jewellery, if such sales are less than or equal to the opening stock of articles of jewellery at the beginning of the month.
- d) If the sales during a month are less than the opening stock of articles of jewellery at the beginning of the month then the balance stock of manufactured articles will be carried forward and as a result the opening stock of manufactured articles for the succeeding month will be sum total of such carried forward stock of manufactured articles and quantity of manufactured articles received during the preceding month.
- e) The sales in excess of opening stock of manufactured articles of jewellery, during a month shall be deemed to be the sales out of opening stock of traded articles of jewellery on which no excise duty will be payable.
- f) If sales during a month are in excess of sum total of opening stock of manufactured articles of jewellery and opening stock of traded articles of jewellery, then the sales over and above such quantity will be deemed to be that of manufactured articles of jewellery received during the month.
- g) If sales during a month are in excess of sum total of opening stock of manufactured articles of jewellery, opening stock of traded articles of jewellery and manufactured articles of jewellery received during the month, the sales over and above such quantity will be deemed to be that of traded articles of jewellery received during the said month on which no excise duty will be payable.

The said rule may also apply for determining the excise duty liability on articles of jewellery with effect from 1st of March, 2016.

5.3. As regards SSI exemption, the eligibility and exemption limit for manufacturers of articles of jewellery have been revised, as under:

- a) Eligibility limit from Rs. 12 Crore to Rs. 15 Crore, and
- b) Exemption limit from Rs. 6 crore to Rs. 10 crore.

5.3.1. SSI exemption Eligibility limit: If the aggregate value of clearances for a manufacturer or principal manufacturer during the previous financial year is less than or equal to Rs. 15 crore, then such manufacturer or principal manufacturer will be eligible for SSI exemption during current financial year. If the aggregate value of clearances for a manufacturer or principal manufacturer during the previous financial year is more than Rs. 15 crore, then such manufacturer or principal manufacturer will not be eligible for SSI exemption during current financial year.

5.3.2. SSI Exemption Exemption limit: The Exemption Limit is the aggregate value of non-exempt manufactured articles upto which no excise duty will be payable by a manufacturer or principal manufacturer in a financial year. For example, if the aggregate value of non-exempt manufactured goods, including articles of jewellery, by a manufacturer or principal manufacturer [who is eligible for SSI exemption during the current financial year] is Rs. 11 crore during a financial year then he will be eligible for SSI exemption for the value of clearance upto Rs. 10 crore and he will be liable to pay excise duty on Rs. 1 Crore [that is Rs. 11 crore minus Rs. 10 crore].

5.3.3. Computation of Eligibility and Exemption limits for SSI exemption [Notification no. 8/2003-CE dated 1st March 2003] is to be done individually for each manufacturer or principal manufacturer, irrespective of the number of job workers employed by such manufacturer or principal manufacturer or the number of premises from which his job workers operate. For computation of Eligibility and Exemption limits for SSI exemption the value of articles of jewellery exported [except those exported to Bhutan] will not be counted. Similarly, for computation of Eligibility and Exemption limits for SSI exemption the value of traded articles of jewellery [on which appropriate excise duty, including nil duty, has already been paid] will not be included. Further, in respect of jewellery manufactured out of jewellery or precious stones supplied by the individual retail customer, only the value addition [sum of cost of additional material used and labour charges/making charges charged by the manufacturer or principal manufacturer] shall be taken into consideration for computation of such limits.

5.3.4. Multiple manufacturers or principal manufacturers, operating from the same premises and individually registered under State VAT on or before February 29, 2016, may be allowed separate central excise registrations. However, in such cases the value of clearances of all such manufacturers or principal manufacturers shall be clubbed together for determining the eligibility / exemption limits for the purposes of the small scale industries [SSI] excise duty exemption. Thus, if the clubbed together aggregate value of clearances of all such manufacturers or principal manufacturers during the preceding year is more than Rs. 15 crore then none of such

manufacturers or principal manufacturers will be eligible for SSI exemption. Similarly, as and when the clubbed together aggregate value of clearances of such manufacturers or principal manufacturers in a financial year crosses Rs. 10 crore, all such manufacturers or principal manufacturers will be liable to pay excise duty on their clearances thereafter.

5.3.5. Further, the notification No. 36/2001-Central Excise (N.T.) dated 26th June, 2001 has been amended, so as to exempt a manufacturer or principal manufacturer of articles of jewellery, from taking registration upto the full exemption limit, which is being increased to Rs. 10 Crore.

6. I would again like to emphasise that the Board desires that all necessary steps shall be taken to enable the new taxpayers to comply with this levy without any difficulty. These instructions may be disseminated to the field formations for strict compliance. Difficulties faced, if any, in implementation which are not covered by the instructions issued in this regard may be communicated to the Board without delay.

7. I have alluded only to the key highlights of the changes in the Annexures to this letter. For details the relevant notifications and circulars may be carefully gone through. These notifications and circulars can be downloaded directly from www.cbec.gov.in.

8. **It may kindly be ensured that the changes are implemented in a smooth manner without causing any inconvenience to the taxpayers.** All possible efforts may be made to guide the taxpayers by holding interactive sessions/ seminars. In case of any doubt or difficulty, I would request you to kindly bring it to my notice immediately or to the notice of Sh. Reyaz Ahmad, Director (TRU) (Tel. No. 011-23092236), email: ahmad.reyaz@nic.in or Sh. Anurag Sehgal, Under Secretary (TRU) (Tel No. 011-23095547), e-mail: sehgal.anurag@nic.in.

With warm regards,

Yours sincerely,

(Alok Shukla)
Joint Secretary (TRU-I)

To,

1. All Principal Chief Commissioners/Chief Commissioners of Central Excise;
2. All Principal Chief Commissioners/Chief Commissioners of Customs & Central Excise;
3. All Principal Director Generals/Director Generals of Customs, Central Excise;
4. Director DPPR/ Logistics/Legal Affairs/ Data Management.

NOTIFICATIONS

Notification No.	Gist of notifications
26/2016 – Central Excise	Seeks to amend notification No. 12/2012-Central Excise so as to prescribe 1% excise duty (without input and capital goods credit) on parts of articles of jewellery falling under heading 7113 of the Central Excise Tariff Act, 1985 (5 of 1986), and to prescribe a criteria for classification of an articles of jewellery or part of articles of jewellery or both as that of a particular precious metal.
27/2016 – Central Excise	Seeks to partially exempt Central Excise duty on articles of jewellery falling under heading 7113 of the Central Excise Tariff Act, 1985 (5 of 1986) manufactured by: (a) re-conversion of jewellery given by the retail customer, or (b) mounting of precious stone given by the retail customer.
28/2016 – Central Excise	Seeks to amend notification No. 8/2003-Central Excise dated 1 st March, 2003, so as to increase for articles of jewellery or parts of articles of jewellery or both, falling under heading 7113 of the Central Excise Tariff Act, 1985 (5 of 1986): (a) the SSI Exemption limit from Rs. 6 crore to Rs. 10 crore; and (b) the SSI Eligibility limit from Rs. 12 crore to Rs. 15 crore.
29/2016 – Central Excise	Seeks to amend notification No. 17/2011-Central Excise, dated the 1 st March, 2011, so as to exclude handicrafts falling under heading 7113 of the Central Excise Tariff Act, 1985 (5 of 1986), from the purview of excise duty exemption for “handicrafts”.
33/2016 - Central Excise (N.T.)	Seeks to notify, for articles of jewellery or parts of articles of jewellery or both, falling under heading 7113 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986), (a) for articles of jewellery or parts of articles of jewellery or both (other than those which are manufactured from the precious metal provided by the retail customer), the first sale value, that is the value at which such articles of jewellery or parts of articles of jewellery or both, are sold for the first time, as the tariff value; (b) for articles of jewellery or parts of articles of jewellery or both manufactured from the precious metal provided by the retail customer, the value which is sum of,- i. the cost of additional materials used by the manufacturer or principal manufacturer, as the case may be, for making such articles of jewellery; ii. the labour charges charged by the manufacturer or principal manufacturer, as the case may be, from the retail customer; and iii. the value of precious metal provided by the retail customer,

	as the tariff value.
34/2016 - Central Excise (N.T.)	Seeks to notify the Articles of Jewellery (Collection of Duty) Rules, 2016, applicable to articles of jewellery or parts of articles of jewellery or both falling under heading 7113 of the Central Excise Tariff Act, 1985 (5 of 1986). These rules, inter-alia, provide manner of payment of Central Excise duty on articles of jewellery or parts of articles of jewellery or both, including an optional scheme for payment of such Excise duty.
35/2016 - Central Excise (N.T.)	Seeks to amend the Central Excise Rules, 2002 in relation to articles of jewellery or parts of articles of jewellery or both, falling under heading 7113 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986), so as to: <ul style="list-style-type: none"> i. provide that the quarterly return (ER.8) will also apply to the manufacturers or principal manufacturers of parts of articles of jewellery, falling under heading 7113; ii. prescribe that the date of submission of quarterly return, for manufacturers or principal manufacturers of articles of jewellery or parts of articles of jewellery or both, falling under heading 7113, for quarter ending on 31st March, 2016, and quarter ending on 30th June, 2016, shall be the 10th August, 2016; and iii. as separate rules are being prescribed for articles of jewellery or parts of articles of jewellery or both falling under heading 7113 of the said Schedule to the said Tariff Act, applicability of Rule 12AA is being restricted to articles of precious metals falling under heading 7114.
36/2016 - Central Excise (N.T.)	Seeks to amend the CENVAT Credit Rules, 2004 in relation to articles of jewellery or parts of articles of jewellery or both, falling under heading 7113 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986), so as to include a principal manufacturer of articles of jewellery or parts of articles of jewellery or both as manufacturer for the purposes of the CENVAT Credit Rules, 2004.
37/2016 - Central Excise (N.T.)	Seeks to provide a modified format for quarterly return, ER-8, for return of excisable goods cleared at the Central Excise duty rate of 1% [including articles of jewellery or parts of articles of jewellery or both, falling under heading 7113] or 2%.
38/2016 - Central Excise (N.T.)	Seeks to amend notification No. 35/2001-Central Excise (N.T.) so as to: <ul style="list-style-type: none"> (i) provide that a person engaged in the manufacture of articles of jewellery or parts of articles of jewellery or both, falling under chapter heading 7113 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986) may get himself registered by 31st day of July, 2016; (ii) exempt a person engaged in the manufacture of articles of jewellery or parts of articles of jewellery or both, falling under chapter heading 7113 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986) from the requirement to submit plan of the factory premises under simplified registration procedure.
39/2016 - Central	Seeks to amend notification No. 17/2006-Central Excise (N.T) dated the 1st

Excise (N.T.)	August, 2006 so as to exempt a manufacturer or principal manufacturer of articles of jewellery or parts of articles of jewellery or both, falling under heading 7113 of the Central Excise Tariff Act, 1985 (5 of 1986) from filing of annual return.
40/2016 - Central Excise (N.T.)	Seeks to amend notification No. 36/2001-Central Excise (N.T.) dated 26th June, 2001, so as to exempt a manufacturer or principal manufacturer of articles of jewellery or parts of articles of jewellery or both, falling under heading 7113 of the Central Excise Tariff Act, 1985 (5 of 1986) from taking central excise registration upto the full exemption limit, which is being increased to Rs. 10 Crore.

CIRCULARS

Circular No.	Gist of circulars
1040/28/2016 - CX	Clarification on computation of exemption and eligibility and exemption limits and other related issues for small scale industries [SSI] exemption under Notification No. 8/2003-CE dated 1st March 2003 in respect manufacturer or principal manufacturer of articles of jewellery or parts of articles of jewellery or both.
1041/29/2016 - CX	Guidelines for Excise Audit of Manufacturers / Principal Manufacturers of articles of jewellery or parts of articles of jewellery
1042/30/2016 - CX	Export related procedural simplifications - excise duty on articles of jewellery falling under heading 7113.
1043/31/2016 - CX	General procedures regarding excise duty on articles of jewellery or parts of articles of jewellery or both falling under heading 7113.
1044/32/2016 - CX	Guidelines for issue of summons, visits, search, seizure, arrest and prosecution regarding manufacturers or principal manufacturers of articles of jewellery or parts of articles of jewellery or both.
1045/33/2016 - CX	Taxability of stock on February 29, 2016 - Excise duty imposition on articles of jewellery in the Budget 2016-17.