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Gold & Silver Imports under *India-UAE* CEPA and Role of IIBX

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Import of gold under CEPA with UAE

- ❖ Agreement for 10 years signed in March 2022
- ❖ Gold can be imported in India at custom duty 1% lower than the effective rate of duty.
- ❖ Quantity of import of gold is under Tariff Rate Quota (TRQ) system. Eligible entities in India have to apply on line DGFT for allotment of quantity of gold under TRQ.
- ❖ Eligibility conditions were strict in the beginning as only those entities could apply who were in the gold jewellery business with some stipulated minimum average annual sale turnover during last three years.

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- ❖ Eligibility conditions have been relaxed in April 2023. Any Indian entity having IEC Code can apply for allotment of TRQ of gold.
- ❖ Total annual quantity of TRQ to be granted to entities can be maximum of 120 Tonnes for the first year starting with FY 2022-23 , 140 Tonnes for the second year i.e. FY 2023-24 and so on increased by 20 tonnes over preceding year in third, fourth and fifth year. So total quantity of TRQ of gold from fifth year to tenth year is capped at 200 Tonnes.

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- ❖ Importers /TRQ holders have to follow GCRS 2022 Rules.
- ❖ TRQ holders can take supply of gold through Nominated Agencies or can import through IFSCA approved Exchange IIBX in IFSC Gift City.
- ❖ Applicants of TRQ for gold can choose name of one Nominated Agency or Qualified Jeweller of IIBX for taking supply of gold while filing of on line application of TRQ with DGF.
- ❖ Nominated Agencies/ QJs of IIBX have to submit custom duty bond to the extent of duty concession of 1% while importing gold against TRQs of their clients.

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- ❖ TRQ holders have to submit custom duty bond equivalent to the duty concession of 1% to the Nominated Agencies /QJs of IIBX.
- ❖ Those QJs having TRQ license in their own name can import directly through IIBX in their own name for self usage.
- ❖ There is provision of amendment in the application of TRQ for changing the name of Nominated Agency or QJ and also for changing the port of shipment.

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IGCRS Rules 2022 related to gold

- ❖ Import of Goods at Concessional Rate of Duty or for Specified End Use Rules 2022 have been notified vide Custom Notification (NT) No. 74/2022 dated 9th September , 2022.
- ❖ In this notification the definition of Jewellery Work excludes gold, jewellery and articles thereof, and other precious metals or stones vide para 3(g) of this Notification.

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IGCRS Rules 2022 related to gold

- ❖ CBIC issued a clarification to the above Notification of 9th September, 2022 in its Custom Circular No. 18/2022 dated 10th September, 2022 in which clarification about job work vide para no. 4.2(f) is as follows :
- ❖ Para 4.2(f) : The restrictions on job work are only relating to the case where it is undertaken on the goods belonging to importer and does not apply to the end use recipient who receives the goods on the supply and deals with it as stipulated in the notification.

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Challenges faced

- ❖ TRQ holders taking supply from Nominated Agencies have to submit custom duty margin of 1% to the Nominated Agencies.
- ❖ Nominated Agencies have to submit custom duty bond to the Custom Authorities to the extent of 1% for import of gold under TRQs of CEPA with UAE.
- ❖ Custom Duty Bonds are stuck up with Customs due to no clarity and no SOP communicated to the field formations for cancellation of Bonds. In turn the security margin of 1% duty of TRQ holders is stuck up with Nominated Agencies.

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Challenges faced

- ❖ TRQ holders taking supply of gold from Nominated Agencies can use the gold for manufacturing of jewellery on job work basis as per IGCRS Rules 2022. But the QJs importing gold against TRQ in their own name through IIBX have to be manufacturer themselves as job work is restricted for them in IGCRS Rules.
- ❖ There has to be level playing field for those importing TRQ gold through IIBX also.
- ❖ Low utilization of TRQs allotted last year.

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Recommendation

- ❖ TRQ holders importing gold in their own name through IIBX have to use the gold in their own manufacturing unit only. It is recommended to have the treatment of gold imported through IIBX at par with the gold supplied to TRQ holders by Nominated Agencies.
- ❖ TRQ holders taking supply of gold from Nominated Agencies should have flexibility to use it for their self usage in manufacturing of jewellery or through job work or even for their stock and sale. CBIC is requested to issue suitable clarification for the flexibility of bullion trading with stock and sale.

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Recommendation

- ❖ CBIC is requested to issue suitable guidelines to the field formations for the cancellation of Custom Duty Bonds of Nominated Agencies.
- ❖ CBIC is requested to make the system for on line submission of required documents through ICEGATE functional for cancellation of Bonds.
- ❖ Nominated Agencies are requested to contact CBIC for the challenges faced and resolution of the same so that the security margin on custom duty can be released to TRQ holders.

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Import of Silver under CEPA with UAE



- ❖ Silver can be imported from UAE at a custom duty of 9% (5% Basic + 4 % AIDC) during FY 2022-23. Custom duty will be eliminated to zero in phased manner in 10 years.
- ❖ No requirement of TRQ application for import.
- ❖ Silver being a restricted item can be imported by Nominated Agencies for supply to the domestic user.
- ❖ This silver can be used for bullion trading also as IGCRS Rules 2022 are not applicable to silver.
- ❖ Importer (Nominated Agencies) have to follow Customs (Administration of Rules of Origin under Trade Agreements) Rules 2020.
- ❖ Supplier of silver has to fulfil PSR of CTRH + 1% Value Addition in UAE.

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