

## **Gold tax rate under GST fixed at 3 per cent; new tax rates for metals much more complex**

As expected, there is a couple of new tax categories added under the proposed Goods and Services Tax (GST) regime. Gold, silver and processed diamonds would be taxed at 3% under the GST as against the lowest tax bracket of 5% proposed earlier. Apart from this new tax rate, rough diamonds would be taxed at 0.25%.

With this, there are now seven tax slabs under the GST - nil, 0.25% (for uncut diamond), 3% (for gold, silver and processed diamond), 5%, 12%, 18% and 28% -- making the new tax regime much more complex than it was earlier conceived.

Announcing the new tax rate at the conclusion of the GST Council meeting in New Delhi today, Finance Minister Arun Jaitley said, "At present, gold has 1% excise duty and in many states 1% VAT (Value Added Tax). In some states, the VAT is more than 1%. There was an extensive debate (on rate of tax on gold in the meeting and between 2% and 5%, there was almost a vertical. Therefore, we finally reached a consensus of taxing gold and gold jewellery at 3%."

On rough diamond, the finance minister said that a nominal rate of 0.25% was levied to keep the audit trail.

Already, the proposed GST has come under criticism for having five tax slabs and different cesses levied on items kept in the highest tax slab of 28%, the two new tax rates would make the tax structure more complex.

Suresh Nair, Tax Partner, EY, said, "In spite of a near vertical division, the GST Council manages a consensus on rate of tax on gold at 3%. This adds on to another new tax rate under GST regime. It would be interesting to watch the trade community reaction in the transition phase given that the GST rate in most states could be higher than the overall current effective tax rate on gold. States with higher VAT rate would be hopeful of compensation from the Centre to bridge the gap, if otherwise not taken care of."

Meanwhile, the World Gold Council has welcomed the step to apply 3% GST on gold by calling it an 'encouraging step in the current context to stabilise the industry, it has said that with the current import duty of 10% the total tax on gold is still high and will continue to have an impact on the jewellery industry. Therefore, it has asked to bring down the import duty on go

*(Business Today)*