

UAE's VAT May Hurt India's Gold Jewellery Exports

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Source: Economic Times

Gold jewellery exports that have dropped by 6 per cent in the first 8 months of FY18 may take a further knock as UAE, one of the major buyers of Indian jewellery, will impose 5 per cent VAT from January 1, making jewellery costlier for shoppers.

"Exports to the UAE have already dwindled after the government imposed 5 per cent customs duty on gold from the beginning of the year. Now the UAE government will be introducing 5 per cent VAT which will further affect sales. More than half of plain gold jewellery manufactured in India is exported to the UAE," Praveen Shankar Pandya, chairman, Gem & Jewellery Export Promotion Council, told ET.



Pandya said that there's no clarity on whether VAT will be charged on gold jewellery that will be re-exported from Dubai to other parts of the world or not. A lot of Indian jewellery is routed through Dubai to the global markets. "We are waiting for more clarity from Dubai this week," he said.

Industry executives said that all gold jewellery purchases in Dubai have been assigned the 5 per cent VAT, while there's no VAT on 24 carat gold in the form of bars. As per VAT guidelines, anything with 99 per cent gold purity and in a tradable form in international markets will not carry any VAT. The executives said that it is still not clear whether gold coins will have 5 per cent VAT or not.

Rajiv Popley, director, Popley & Sons, said that Dubai is a shopper's paradise where people come to buy because of zero taxation regime. "The introduction of 5 per cent VAT will initially hit sales. Retailers in Dubai have already accepted the VAT regime and have registered themselves with the authority concerned. But customers will be hesitant as prices of jewellery will increase. Dubai's competitiveness in the world market will definitely take a beating."