

## **TCS Threshold on Purchase of Gold Jewellery Reversed**

***Govt rolls back budget decision to apply 1% TCS on cash purchase of gold jewellery of Rs 2 lakh and raises threshold to Rs 5 lakh from tomorrow***

In a move that may boost demand for gold jewellery, the government has rolled back its budget decision to apply 1% tax collection at source (TCS) on cash purchase of gold jewellery of Rs. 2 lakh and above and raised the threshold to the earlier RS.5 lakh with effect from June 1.

The decision comes at a time when jewellers are finding it difficult to offload their inventory that piled up following a 42-day strike -in protest against imposition of 1% excise duty on gold and diamond jewellery -that ended unsuccessfully in mid-April.

Bachhraj Bamalwa, director at All India Gem & Jewellery Trade Federation (GJF), said the increase in TCS threshold limit is “a major relief to those who would purchase wedding jewellery”. “Rs.2 lakh was a very small sum for wedding jewellery,” he told ET.

Gold demand in the country hit a seven-year low in the first quarter of 2016 when sales declined 41% year on year at 88.4 tonnes. This is 44% below the five-year quarterly average of 156.7 tonnes. India's annual consumption of gold is 850-900 tonnes.

Yet, gold prices have gone up since this year. Saurabh Gadgil, managing director at PNG Jewellers, said prices have increased almost 20% since January and is currently ranging between Rs. 29,500-30,000 per 10 gm.

“There is very little demand in the market. However, the Rs. 5 lakh relief is expected to create some movement as there are wedding dates in June as well,” Gadgil said.

TCS -introduced as a measure to curb tax evasion and check black money transactions -is collected by the seller from the buyer at the time of sale and is deposited with the government. The person from whom the TCS is collected gets credit for the same amount in his income tax return. TCS of 1% was imposed on cash purchase of jewellery worth Rs. 5 lakh or more and of bullion worth Rs. 2 lakh or more in 2012. The government in this year's budget had reduced the TCS threshold on jewellery to Rs.2 lakh. Gold jewellery demand was already tepid in February down due to a sharp rise in the local gold price and anticipation of a correction in prices and a reduction in customs duty. The widespread strikes across the jewellery industry against 1% excise duty -which the government refused to roll back despite the six weeks-long protests - further impacted the demand.

*(Business Standard)*