

**PROCEEDINGS OF THE AUTHORITY FOR CLARIFICATION
UNDER SECTION 94 OF THE KERALA VALUE ADDED TAX ACT, 2003**

DEPARTMENT OF COMMERCIAL TAXES, KERALA.

Members present are:

1. B.S. Thyagarajababu, Joint Commissioner (General), O/o.CCT, Tvpm.
2. Senil.A.K. Rajan, Joint Commissioner (Law), O/o.CCT, Tvpm.
3. V. Syamkumar, Deputy Commissioner (Int.), Tvpm.

Sub:- KVAT Act, 2003 - Clarification u/s.94 – Application put in by M/s. Vattakkuzhy

Prince Dye Works - Orders issued - reg.

Read:- Application dtd.27-09-2014.

Order No.C3-28969/2014/CT Dated:03-06-2019

The applicant is a goldsmith engaged in manufacturing of gold ornaments. The jewellers provide bullion or old gold to the petitioner for manufacturing and he received remuneration towards making charge. The application sought for clarification on rate of tax for 'semi finished gold ornaments' and whether a goldsmith receiving making charges only, not selling any gold ornaments, need to takeout registration under the KVAT Act. The case was posted for hearing on 25-04-2019, but there was no representation. In the application it has been stated that at the time of inspection conducted in work shop of goldsmith the inspecting authority used to record gold ornaments/ jewellery, semi finished gold ornaments/jewellery, gold bar, gold scrap (mekkard) in the inspection report and at the time of calculating the tax liability of 'semi finished' gold jewellery / ornaments and 'mekkard' are considering under 3rd schedule to the KVAT Act to tax at a higher rate of 5% as against under 2nd schedule to calculate tax liability at 1% under Entry No.1. Job workers are not exempted from the purview of registration if their turnover exceeds the threshold limits. Goldsmith add value to the product and they hold bullion and old gold for transforming into jewellery by value addition, for that purpose they purchased other metals like copper and stone. The applicant is silent about the nature of disposal of gold scrap. Therefore, goldsmith who are carrying business manufacturing gold ornaments are liable to take registration if the turnover exceeds the threshold minimum for registration. The another issue clarified is whether semi finished gold ornaments attract 1% tax or 5%. The second schedule to the KVAT Act specifically mentioned the items covered 1% tax. As per Finance Act, 2015, semi manufactured gold or silver are specifically excluded from the 2nd schedule and brought into the 3rd schedule. Therefore these items are taxable at the rate of 5%.

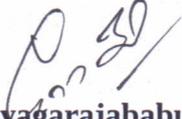
Accordingly, the following clarification as issued.

1. Whether a goldsmith receiving making charges as consideration and not selling any gold ornament need to take out registration under the KVAT Act?

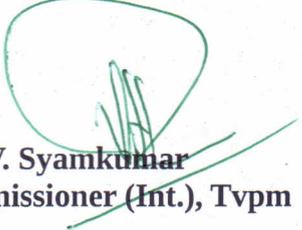
If the turnover exceeds the registrable minimum, goldsmith is liable to take registration. However if he also deals with gold scrap (metal byproduct) he is liable to take registration irrespective of turnover.

2. Whether semi finished old jewellery or semi finished gold ornaments and mekkard, having HSN Code 7108.13.00 will come under Sl.No.1(10) of 2nd Schedule taxable @1% or under Sl.No.51A to 3rd Schedule the KVAT Act taxable @5%?

As per Finance Act, 2015, semi manufactured gold or silver are specifically excluded from the 2nd schedule and brought into the 3rd schedule. Therefore these items are taxable at the rate of 5%.


B.S. Thyagarajababu
Joint Commissioner (General)


Senil. A.K. Rajan,
Joint Commissioner (Law)


V. Syamkumar
Dy. Commissioner (Int.), Tvp

To

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