

**SECOND-HAND GOLD JEWELLERY**

# Levy GST based on difference between selling, cost price

Karnataka AAR ruling will bring in a lot of clarity and help buyers, say experts

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Karnataka's Authority for Advance Ruling (AAR) has held that the difference between the purchase and selling prices of second-hand jewellery will be the value for levying of Goods & Services Tax (GST).

Experts feel this ruling will bring a lot of clarity on taxation and also help buyers. The applicant in this matter, Bengaluru-based Aadhya Gold Private Limited, is engaged in the process of buying and selling second-hand gold jewellery to the common man.

Once bought, jewellery is sold in the same form in which it is originally purchased to another registered person after minor processing such as clearing and polishing. The ap-

plicant charges GST at the rate of 3 per cent (CSGT and SGST at 1.5 per cent each) to the buyers on entire consideration received from the buyers. He also mentioned that no input tax credit (ITC) is available as purchase is from unregistered person.

**Advance ruling**

Based on all these facts, the applicant sought advance ruling on whether GST is to be paid only on the difference between selling price and purchase price. He referred Rule 32(5) of CGST rules which prescribes, "where a taxable supply is provided by a person dealing in buying and selling of second-hand goods, that is, used goods as such or after such minor processing which does not change the nature of



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the goods and where no input tax credit has been availed on the purchase of such goods, the value of supply shall be the difference between the selling price and the purchase price and where the value of such supply is negative, it shall be ignored."

AAR focussed on two issues – whether the supply is taxable and whether the supplier is engaged in buying and sell of

second-hand goods. For the first condition, the authority noted that the applicant is effecting the supply of second-hand jewellery for which GST rate at the rate of 3 per cent is levied.

For the second condition, the applicant stated that he is not melting the jewellery to convert it into bullion and then remaking it to new jewellery but only cleaning the

old jewellery and polishing it. These goods are then supplied to the other person. Further, the applicant admitted that they are invoicing the goods as 'used gold ornaments.'

AAR said both the conditions have been satisfied, so the "valuation of supply of second-hand jewellery may be made as prescribed in sub-rule (5) of Rule 32 of CGST Rules 2017."

Rajat Mohan, Partner with AMRG & Associates terms this ruling as one of the biggest for the gems and jewellery industry.

"Jewellery being a high-value item, will be freed from a large component of GST which was a double whammy for the jewellery buyers. This ruling would also mean that jewellery will practically suffer a single stroke of taxation on the first point of sales if the form of such jewellery remains unfettered," he said.