



For Immediate Release

GJEPC meets Finance Minister to represent about 2% Equalisation Levy (EL) on diamond trade

Mumbai, 27 August 2020: Smt. Nirmala Sitharaman, Hon'ble Minister of Finance, Govt of India today in a representation meeting held with The Gems and Jewellery Export Promotion Council of India (GJEPC), clarified that the e-trade of rough diamonds does not attract 2 percent Equalisation Levy and assured the representation that a clarification will be done on this soon.

The Gem and Jewellery Export Promotion Council of India (GJEPC), the designated apex body by government of India for the promotion of gems and jewellery, met Finance Minister Smt. Nirmala Sitharaman, today in the Capital City New Delhi. A delegation led by Chairman, GJEPC Mr. Colin Shah represented the implications arising on the diamond segment due to expansion of Scope of Equalisation Levy (EL).

Equalisation Levy was introduced and amended in the Finance Act 2020. A 2 percent Equalisation Levy has been effective from April 1, 2020 in the fiscal year and is applicable on the consideration received/receivable by an e-commerce operator from the following transactions (e-commerce supply or services):

- Online sale of goods owned by the e-commerce operator; or
- Online provision of services provided by the e-commerce; or
- Online sale of goods or provision of services or both, facilitated by the e-commerce operator; or
- Any combination of the above-mentioned activities

During the meeting GJEPC representation urged the Hon'ble Minister to issue appropriate amendment/ clarification, to ensure that the diamond sector is not burdened with the EL, even where the rough diamonds are procured through auctions over a digital platform.

Hon'ble Minister clarified that the legislative intent for introduction of the EL was to only tax the digital economy utilizing the ecommerce means to reach end consumers and should not be applicable on B2B transactions like procurement of rough diamonds through digital platform for business purposes. Hon'ble Minister assured to look into

the matter positively and discuss the provisions and its interpretation with concerned officials.

Colin Shah, Chairman, The Gem and Jewellery Export Promotion Council, said, "Due to the application of 2 percent EL effective from this fiscal year, it will now apply on all overseas e-commerce transactions completed with Indian tax residents or those who purchase using an Indian IP address. This means, the procurement of rough diamonds from global miners and traders, through the e-auction process will attract additional 2 percent due to application of EL. While the EL is structured as a levy on the foreign entity, the global miners and traders are likely to revise the pricing structure to account for the EL. Leading global diamond miners have asked GJEPC for clarification of this additional 2 percent EL on the procurement of diamonds. This is leading further tax burden to the already severely hit Indian gems and jewellery exports industry. With the COVID-19 pandemic, for business continuity the entire transactions and business trade is happening online or by e-commerce platforms, with the advent of EL, India would lose its global competitive edge."

Mr Shah further added that, "Hon'ble Finance Minister has taken a note of our concerns with respect to the Equalisation Levy and has assured of taking appropriate measures to make it a win-win situation for both the government of India and the gems and jewellery exports Industry. We are hopeful, that the Hon'ble Minister will look into this matter and address our issues."

Mr Sabysachi Ray, Executive Director, GJEPC, said, "Over 95 percent of diamonds imported in India are for manufacturing purpose and are exported and sold in International markets. India enjoys an undisputed leadership position in gems and jewellery exports. With gems and jewellery business likely to see its dawn post the initial setback from the pandemic, as internationally demand for jewellery could increase due to festivals like Christmas, Gifting season and New Year. The 2 percent EL on diamond will make the raw material more expensive for an Indian diamond exporter. This gives an advantage for competing nations and could lead as a disadvantage for Indian gems and jewellery exports sector."

About The Gem and Jewellery Export Promotion Council (GJEPC)

The Gem & Jewellery Export Promotion Council (GJEPC), set up by the Ministry of Commerce, Government of India (GoI) in 1966, is one of several Export Promotion Councils (EPCs) launched by the Indian Government, to boost the country's export thrust, when India's post-Independence economy began making forays in the international markets. Since 1998, the GJEPC has been granted autonomous status. The GJEPC is the apex body of gems & jewellery industry and today represents 7000 exporters in the sector. With headquarters in Mumbai, GJEPC has Regional Offices in New Delhi, Kolkata, Chennai, Surat and Jaipur, all of which are major centres for the industry. It thus has a wide reach and is able to have a closer interaction with members to serve them in a direct and more meaningful manner. Over the past decades, GJEPC has emerged as one of the most active EPCs, and has continuously strived to

both expand its reach and depth in its promotional activities as well as widen and increase services to its members.