

F. No. 354/25/2016 – TRU (Pt.-I)

**Government of India
Ministry of Finance
(Department of Revenue)
Tax Research Unit**

New Delhi, the 26th July, 2016

To,

Principal Chief Commissioners / Chief Commissioners of Central Excise (All);
Principal Chief Commissioners / Chief Commissioners of Customs & Central Excise (All);
All Director Generals of Customs, Central Excise & Service Tax

Madam / Sir,

Subject: Clarification on computation of exemption and eligibility and exemption limits and other related issues for small scale industries [SSI] exemption under Notification No. 8/2003-CE dated 1st March 2003 in respect manufacturer or principal manufacturer of articles of jewellery or parts of articles of jewellery or both -regarding.

In this year's Budget, central excise duty of 1% without input and capital goods tax credit or 12.5% with credit was imposed on articles of jewellery falling under heading 7113 of the First Schedule to the Central Excise Tariff 1985. Subsequent to that, the Government had set up a Sub-Committee of the High Level Committee, headed by Dr. Ashok Lahiri to interact with Trade & Industry on issues relating to procedure and compliance relating to excise duty of articles of jewellery. The Sub-Committee has given its report on 23.06.2016, which has been accepted by the Government.

2. In the context of computation of exemption and eligibility and exemption limits and other related issues for small scale industries [SSI] exemption under Notification no. 8/2003-CE dated 1st March 2003 and other SSI issues, relating to manufacturers/principal manufacturers of articles of jewellery or parts of articles of jewellery or both, falling under heading 7113 of the Central Excise Tariff Act [hereinafter referred to as articles of jewellery] the Sub-Committee has made certain recommendations, which have been accepted by the Government. Accordingly, notwithstanding anything to the contrary provided in any other circular/instructions, in respect of SSI exemption for manufacturers or principal manufacturers of articles of jewellery the following may be followed scrupulously,-

- i. Computation of Eligibility and Exemption limits for SSI exemption [Notification no. 8/2003-CE dated 1st March 2003] is to be done individually for each manufacturer or principal manufacturer, irrespective of the number of job workers employed by such manufacturer or principal manufacturer or the number of premises from which his job workers operate.
 - ii. For computation of Eligibility and Exemption limits for SSI exemption the value of articles of jewellery exported [except those exported to Bhutan] will not be counted.
 - iii. Similarly, for computation of Eligibility and Exemption limits for SSI exemption the value of traded articles of jewellery [on which appropriate excise duty, including nil duty, has already been paid] will not be included.
 - iv. Further, in respect of jewellery manufactured out of jewellery or precious stones supplied by the individual retail customer, only the value addition [sum of cost of additional material used and labour charges/making charges charged by the manufacturer or principal manufacturer] shall be taken into consideration for computation of such limits.
 - v. Multiple manufacturers or principal manufacturers, operating from the same premises and individually registered under State VAT on or before February 29, 2016, may be allowed separate central excise registrations. However, in such cases the value of clearances of all such manufacturers or principal manufacturers shall be clubbed together for determining the eligibility/exemption limits for the purposes of the small scale industries [SSI] excise duty exemption. Thus, if the clubbed together aggregate value of clearances of all such manufacturers or principal manufacturers during the preceding year is more than Rs. 15 crore then none of such manufacturers or principal manufacturers will be eligible for SSI exemption. Similarly, as and when the clubbed together aggregate value of clearances of such manufacturers or principal manufacturers in a financial year crosses Rs. 10 crore, all such manufacturers or principal manufacturers will be liable to pay excise duty on their clearances thereafter.
3. Hindi version will follow. Trade Notice/Public Notice may be issued on the above lines.
4. Difficulties faced, if any, in implementation of this Circular may be brought to the notice of the Board.

(Anurag Sehgal)
Under Secretary to the Government of India