

MEMO

FROM: Director General

TO: All *Offices*

DATE: 30 April 2014

SUBJECT: Statement of Practice (VAT/SP2/14) -
Determination of taxable value of jewellery
manufactured from old jewellery provided by
clients

Following amendments brought to the Finance Act 2013 with regard to the application of section 12(3) of the VAT Act, a Statement of Practice on the above issue has been worked out. The statement has been agreed with the Federation of Jewellers and the Ministry of Finance & Economic Development has been apprised of its contents.

2. The Statement of Practice (VAT/SP2/14) is herewith attached for your information. It will also be available on MRA website <http://mra.mu>



S. Lal

Director- General

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Statement of Practice (VAT/SP2/14)

Determination of taxable value in the jewellery sector in accordance with Section 12(3) of the VAT Act

1. This Statement of Practice lays down the value on which VAT is to be charged in respect of supplies made by jewellers where old jewellery is provided by a client for the manufacture and supply of new jewellery. It is published pursuant to Section 12(3) of the VAT Act which stipulates that *"If the supply is for a consideration not consisting or not wholly consisting of money, the value of the supply shall be taken to be the open market value of the supply or such other amount as the Director-General may determine."*
2. The different scenarios which have been brought to the attention of the MRA where old jewellery is traded in and the VAT treatment in respect of each scenario are illustrated in paragraph 3.
3. For the purpose of the scenarios, the value of gold 750 (18 carat) is taken to be Rs 1,000 per gram].

<u>Scenarios</u>		<u>VAT treatment</u>		
			<u>Weight (gm)</u>	<u>Value (Rs)</u>
3.1	Where the weight of the jewellery deposited(traded in) is less than the weight of the new jewellery	New Jewellery	30	40,000
		Old Jewellery	10	10,000
		Value on which VAT is chargeable		30,000
		VAT at 15%		4,500
		Amount payable by client		34,500
3.2	Where the weight of the old jewellery is equal to the weight of the new jewellery	New Jewellery	30	40,000
		Old Jewellery	30	30,000
		Value on which VAT is chargeable		10,000
		VAT at 15%		1,500
		Amount payable by client		11,500
3.3*	Where the weight of the old jewellery is higher than the weight of the new jewellery	New Jewellery	30	40,000
		Old Jewellery	40	
		Old Jewellery used	30	30,000
		Value on which VAT is chargeable		10,000
		VAT at 15%		* 1500

*** Note: Irrespective of whether the 10 grm remaining has been purchased by the dealer or has been returned to the client, the VAT payable remains Rs 1,500.**

4. For the above VAT treatment to apply, the jeweller will have to comply with the following conditions:
 - 4.1. He shall maintain all records required to be kept under the Jewellery Act and the VAT Act.
 - 4.2. The following records shall be made available to the Director General at any time within a period of five years from the date of the transaction.
 - 4.2.1 Serially numbered "Ownership Declaration in case of Trade- In of Jewellery" Form, duly completed and signed by both customer and jeweller. (Annex I)
 - 4.2.2 Copy of serially numbered deposit voucher, duly signed by customer and jeweller. (Annex II)
 - 4.2.3. Ledger identifying separately and showing value and weight of:
 - (i) gold purchased;
 - (ii) old jewellery purchased; and
 - (iii) old jewellery deposited by client.
 - 4.2.4 Copy of serially numbered sales invoice issued, showing amongst others, the following particulars:
 - the weight and value of old jewellery deposited.
 - the weight and value of new jewellery.
 - the value on which VAT is chargeable (Annex III).
 - 4.2.5 Proper sales records, cross-referenced to the sales invoice and deposit voucher.
 - 4.2.6 An inventory record to show clearly the weight of:
 - (i) in and out of jewellery deposited;
 - (ii) in and out of gold purchased
 - (iii) in and out of old jewellery purchased.
5. The Statement of Practice is effective from 1 May 2014.

10 April 2014

FIFTH SCHEDULE
[Jewellery (Dealer's Registration and Transactions) Regulation 2012]
(GN No. 9 of 2012)

Serial No.

OWNERSHIP DECLARATION IN CASE OF TRADE-IN OF JEWELLERY

Name of dealer –

Business address–

PART I

(To be filled by the customer)

A. I hereby certify that the jewellery described below belongs to me and have obtained it through legal means.

B. Name –

Address -

Phone No –

NIC Number –

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or

Passport Number –

Issuing Authority –

Nationality –

C. Description

SN	Description	Mass(g)	Declared Fineness

Signature.

Date

PART II

(To be completed by the dealer/person on behalf of dealer)

A. Document Submitted

SN	Document Submitted	Yes/No	Remarks
1	NIC or Passport No.		
2.	Proof of Address		
3.	Original receipt of jewellery to be trade-in		

Note:- (1) Copies of the NIC/passport and proof of address to be attached to this form.
(2) Original copy of the receipt, if available, to be attached to this form.

VAT INVOICE

Name of Entity:.....

Trading Name:.....

Address:..... Tel:.....

VAT Reg. No.: BRN:.....

Serial Number:..... Date:.....

Name of Customer:.....

Address:.....

VAT Reg. No. (if applicable): BRN (if applicable):.....

DESCRIPTION	WEIGHT (Gram)	VALUE (Rs)
New Jewellery		
Less: Old Jewellery Deposited		
Old Jewellery Used		
Value on which VAT is chargeable		
VAT 15%		
Total		

Trade-in Form Serial Number:.....

Deposit Voucher Serial Number:.....

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Signature of Dealer