

VAT TREATMENT

IN THE JEWELLERY SECTOR



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FOREWORD

This leaflet is intended to assist jewellers who, in the course of their trade or business, manufacture and/or supply precious, semi-precious stones and jewellery.

This leaflet is for information purpose only. For the legal provisions, you may consult the Value Added Tax Act and the regulations made under that Act, including the provisions relating to Deferred Duty and Tax Scheme and VAT Free Supplies to Visitors, the Jewellery Act and the regulations made under that Act, including the Jewellery (Dealer's Registration and Transaction) Regulations 2012, particularly relating to second-hand jewellery and trade-in jewellery.

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Jewellery Business

The jewellery business is regulated by the Jewellery Act and the Jewellery Regulations. The Jewellery Act and the Jewellery Regulations 2012 provide that a person who deals in jewellery, semi-precious or precious stones is called a dealer. A dealer includes a person who:

- a. Manufactures, sells and imports jewellery;
- b. Purchases second-hand jewellery or trades-in jewellery;
- c. Exports jewellery and melted precious metals;
- d. Supplies jewellery for sales; and
- e. Imports, sells, processes precious or semi-precious stones.

The Assay Office is responsible for the assaying and marking of jewellery as well as verification and grading of precious and semi-precious stones and registration of a dealer. It also regulates and controls dealers who purchase second-hand jewellery and trade-in jewellery

VAT Registration of Jewellers

In accordance with Section 15(1) of the VAT Act, a dealer registered with the Assay Office is required to apply for compulsory registration for VAT if his annual turnover of taxable supplies exceeds or is likely to exceed Rs. 3M.



Exemption under the VAT Act

By virtue of Items 52 and 57 of the First Schedule to the VAT Act, the following items are exempt from VAT:

- Gold compounds of H.S Code 2843.30.00
- Gold, unwrought or in semi-manufactured forms, or in powder form or waste and scrap of heading 71.08
- Chains and similar articles produced in continuous length exceeding 200 centimetres, clasps and parts of silver suitable for use in the manufacture of jewellery of H.S Code 7113.11.10
- Chains and similar articles produced in continuous length exceeding 200 centimetres, clasps and parts of other precious metal suitable for use in the manufacture of jewellery of heading 7113.19.10
- Pearls, diamond, stones, silver and platinum including waste and scrap of headings 71.01, 71.02, 71.03, 71.05, 71.06, 71.10 and 71.12 and of H.S Codes 7104.20.00 and 7104.90.00
- Minted gold bars imported, purchased or offered for sale by the Bank of Mauritius.

Keeping of records

Notwithstanding the records required to be kept under the Jewellery Act, a VAT registered dealer also has the obligation to keep records and documents for a period of at least five years in accordance with the VAT Act.

The dealer has to:

- keep, in the course of his business, a full and true written record, whether electronically or otherwise, in English or French language, of every transaction he makes.
- keep a copy of the Customs Declaration either electronically through the TradeNet or otherwise, in chronological order, in respect of import and export.
- keep the receipts and VAT invoices, separately, in chronological order in respect of goods and services supplied to him.
- issue VAT invoices and keep legible copies thereof, either electronically or otherwise, in chronological order in respect of goods and services supplied by him.

VAT invoice

Every VAT registered dealer has the obligation to issue a VAT invoice to any person to whom he makes a supply. The VAT invoice should specify the following:

- a. the words "VAT INVOICE" in a prominent place;
- b. his name, business address, VAT Registration Number and business registration number;
- c. its serial number and date of issue;
- d. the quantity and description of the goods or the description of the services;
- e. the value of the supply, indicating whether the value is inclusive or exclusive of VAT;
- f. where the value of the supply is subject to VAT:
 - i. the value of supply,
 - ii. the amount of VAT chargeable and the rate applied; and
- g. in case the purchaser is a VAT registered person, the name, business address, business registration number and the VAT Registration Number of the purchaser.
- h. where the purchaser is a person in business, the name, business address and business registration number of the person.

Submission of returns

Where the annual turnover of taxable supplies of the dealer does not exceed 10 million rupees, he is required to submit quarterly returns and pay the amount of VAT, if any, accordingly. Otherwise he must submit monthly returns. Nil returns should also be submitted.

The dealer shall submit returns electronically.

Exports of jewellery

Where a dealer exports jewellery, the exported jewellery are treated as zero rated. Zero-rated supplies are taxable supplies but the rate at which VAT is charged is zero

Credit for input tax

A dealer making taxable supplies, including zero-rated supplies, is eligible to claim credit for input tax subject to the limitations as set out in Section 21 of the VAT Act.

Calculation of Value of taxable supplies

The Value Added Tax Act provides as follows:

- Value of any taxable supply made by a taxable person shall be determined in accordance with the provisions of the Act, and shall be expressed in Mauritian currency.
- Where a 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.

With a view to assisting jewellers to calculate the correct value of their taxable supplies, some scenarios and worked examples are provided hereunder for their guidance.

Scenario 1

A customer calls at the business premises of a dealer and purchases a new jewellery for the sum of Rs 19,500, before VAT.

Selling price of jewellery (vat excl)	Rs 19,500
VAT thereon 15%	<u>Rs 2,925</u>
Amount Payable	<u>Rs 22,425</u>

Scenario 2

A customer brings a gold bar to a dealer for the manufacture of a necklace. The agreed price in accordance with the Jewellery Regulations 2012 of the bar gold is Rs 17,500. The selling price of the necklace is Rs 30,000, VAT exclusive. By virtue of the VAT Act, the jeweller has supplied goods, the sale value of which is Rs 30,000. VAT has to be charged as follows:

Selling price of necklace (VAT excl)	Rs 30,000
VAT thereon (15%)	Rs 4,500
	<hr/>
	Rs 34,500
Less Agreed price of bar gold	Rs 17,500
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Balance payable	Rs 17,000
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Scenario 3

A customer brings to a dealer a ring of an agreed price in accordance with the Jewellery Regulations 2012 of Rs 15,000 to be enlarged. The dealer charges Rs 2,000 for the work, inclusive of the charge for the additional gold.

In this case, the jeweller is considered to have provided a service and VAT is leviable on the amount charged by the jeweller.

VAT is chargeable as follows:

Value of supply	Rs 2,000
VAT thereon @15%	Rs 300
Amount Payable	<hr/> Rs 2,300 <hr/>

Scenario 4

A customer deposits with a dealer a piece of diamond at an agreed price in accordance with the Jewellery Regulations 2012 of Rs 200,000 to be placed on a ring provided by the dealer for an agreed price of Rs 15,000, before VAT. The customer is charged Rs 3,000 for the placement of the diamond on the ring.

In this case, the diamond brought in by the customer has not undergone any physical change and the jeweller is considered to have sold a ring and provided services for the placement of the ring.

The amount payable by the customer will be as follows:

Selling price of ring (VAT excl)	Rs 15,000
Charge for the placement of diamond	Rs 3,000
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Value of Supply	Rs 18,000
VAT thereon @ 15%	Rs 2,700
Amount Payable	<hr/> Rs 20,700 <hr/>

Scenario 5

Gold is supplied by Dealer A to Dealer B for the manufacture of jewellery.

Dealer B has to charge VAT on the jewellery supplied to Dealer A who is entitled to take credit for input tax in respect of the VAT charged by Dealer B.

When Dealer A supplies the jewellery to his clients, he has to charge VAT thereon.

Scenario 6

A client brings in old jewellery to a dealer for the manufacture and supply of new jewellery. The different scenarios where all jewellery is traded in and the VAT treatment in respect of each scenario is illustrated below:

For the purpose of the scenarios, the value of gold 750 (18 carat) is taken to be Rs. 1,000 per gram.



Scenarios		VAT Treatment		
			Weight (gm)	Value (Rs)
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. <i>* 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.</i>	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%		*1,500



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