

**Statement of Practice (VAT/SP2/14)**

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

Section 12(3) of the VAT Act 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. This Statement of Practice lays down the value as determined by the Director-General pursuant to the above Section, 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.
3. 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 is illustrated in paragraph 4.
4. 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)
4.1	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
		<b>Amount payable by client</b>		<b>34,500</b>
4.2	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
		<b>Amount payable by client</b>		<b>11,500</b>
4.3*	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**

5. For the above VAT treatment to apply, the jeweller will have to comply with the following conditions:

5.1 He shall maintain all records required to be kept under the Jewellery Act and the VAT Act.

5.2 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.

5.2.1 Serially numbered "Ownership Declaration in case of Trade- In of Jewellery" Form, duly completed and signed by both customer and jeweller.

5.2.2 Copy of serially numbered deposit voucher, duly signed by customer and jeweller.

5.2.3 Ledger identifying separately and showing value and weight of:

- (i) gold purchased;
- (ii) old jewellery purchased; and
- (iii) old jewellery deposited by client.

5.2.4 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.

5.2.5 Proper sales records, cross-referenced to the sales invoice and deposit voucher

5.2.6 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.

6. The Statement of Practice is effective from 1 May 2014.

**18 January 2016**