

# AGRM Pre-Budget Proposals for the Precious Metals Refining Sector



## Introduction

**The Association of Gold Refineries & Mints (AGRM)**, representing 43 BIS-accredited refiners, submitted their pre-budget proposals highlighting critical concerns faced by the refining industry and its potential contributions to India's economy. Collectively, AGRM refiners contribute approximately **USD 2.5 billion annually** through import duties and GST and refine **200-250 tonnes of gold annually**, addressing nearly a third of India's gold consumption. Despite recent policy adjustments, the industry faces significant challenges that threaten its sustainability and competitiveness.

## Key Challenges and Proposals

### Review of Duty Differential:

The current duty differential between raw materials (gold dore) and finished bullion imports, introduced under the India-UAE CEPA agreement, has resulted in financial strain on refiners:

- **Current Situation:** Dore bars face a 5.35% customs duty, whereas bullion imported under CEPA is taxed at 5%.
- **Impact:** Refiners report negative net margins (-0.80%), reduced capacity utilization (below 25%), and escalating operational expenses (increased by 30-40% over the last four years).
- **Proposal:** Increase the duty differential to 1.65%, ensuring alignment with historical margins (2012-2015), which supported sectoral health and sustainability.

## Permission for Local Bullion Sourcing

- **Current Restriction:** Banks are restricted from sourcing bullion locally from Good Delivery refineries.
- **Proposal:** Allow banks to procure bullion locally, which would enhance capacity utilization (currently 20-30%), bolster the "Make in India" initiative, and generate employment.

## Gold Monetization Scheme (GMS)

### AGRM proposes greater integration with GMS:

- **Initiative:** Refineries would partner with banks to collect and evaluate gold deposits in branches, offering equivalent-weight gold bars or monetization options to depositors.
- **Outcome:** Mobilize idle gold, providing a secure and transparent mechanism for depositors, and reduce India's gold imports.

## Exclusion of Chapter 71 in Trade Agreements

- **Concern:** Including **Chapter 71** (covering gold, silver, and platinum) in trade agreements creates tariff imbalances and disadvantages dore bars.
- Proposal: Exclude Chapter 71 from agreements to maintain equitable tariffs.

## Export of 24K Gold Bullion

- **Current Limitation:** Export of gold bullion is restricted to 22K under existing regulations.
- Proposal: Permit the export of **24K bullion and minted products**, boosting domestic production and value addition under the **“Make in India” initiative**

## 100% Duty Drawback System

- **Challenges:** Small exporters face delays and inconsistencies in receiving duty drawbacks, discouraging participation.
- **Proposal:** Streamline the duty drawback process, ensuring timely refunds (within seven days) based on the tariff rate on the day of export. This will promote exports by small jewellers.

## Uniformity in Customs Duty Structure

- **Current Issue:** Inconsistent customs duties across gold products discourage domestic refining.
- **Proposal:** Implement a proportional adjustment of duties for imported bars, dore bars, and finished products to incentivize local value addition.

## Amendments to Customs Law

- **Reduction in Minimum Import Quantity:** Lower the minimum import requirement for dore bars from **5 kg to 2 kg**.
- **Tariff-Based Duty:** Align customs duties on dore bars with the tariff rate for bullion.

## Industry Data and Insights

A review of customs duties over the past decade highlights the declining margins for refiners due to policy changes. The differential between refined bullion and dore has narrowed significantly, from **2% (2012-2015) to -0.35% (2024)**, creating unsustainable conditions for domestic refiners. Operational expenses have risen, further exacerbating the challenges.

## Conclusion

AGRM acknowledges recent government efforts, such as the 9% reduction in gold import duty in 2024, which have curbed smuggling and stabilized market prices. However, the association urges immediate action on the outlined proposals to restore the sector's viability and enable its significant contribution to the national economy and employment.

## Key Recommendations:

- Increase the duty differential for gold Dore to 1.65%.
- Permit local bullion sourcing and collection under the Gold Monetization Scheme.
- Enable the export of 24K bullion to enhance value addition.
- Ensure uniformity in customs duty across gold products.
- Expedite the duty drawback process to support small exporters.

By addressing these challenges, AGRM aims to strengthen the domestic refining sector, promote sustainability, and align with the **“Make in India” vision**.

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