

Scenario of the import of Silver Bar and value-added Products in India

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India's average annual import of silver in the form of refined silver bars, grains etc. is estimated at about 5000 Tonnes out of which average annual import of silver grains is about 250 Tonnes during last three financial years. India's annual domestic production of silver refined by HZL and Hindalco put together is about 800 Tonnes. It is observed that import of silver grains has gone up substantially to about 568 Tonnes out of total silver import of about 3151 Tonnes during April to November 2023. Most of the import of silver was done by the Nominated Agencies authorized by RBI or DGFT. It is observed that import of silver grain has been going up in the current financial year due to rise in import under CEPA with UAE for domestic consumption at lower custom duty apart from the normal imports made by the exporters of Silver jewellery at zero duty against Advance Authorization or by the SEZ Units. Most of the import of silver is done by the Nominated Agencies authorized by RBI or DGFT apart from the imports by industrial users & G& J sector against Advance Authorization as also direct import by the SEZ Units.



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India's import of silver under different HS Codes is as follows:

HS Code	Description	FY 2020-21	FY 2021-22	FY 2022-23	April 2023 to Nov. 2023
71061000	Silver Powder	10.17	26.40	38.72	35.04
71069110	Silver Grains	276.48	290.74	184.81	567.67
71069190	Other Unwrought Silver	3.36	12.89	5.61	32.28
71069210	Semi manufactured Sheets, Strips, Plates, Tubes & Pipes of Silver	7.32	4.57	4.34	2.54
71069220	Semi manufactured Silver Bars	1115.90	2621.47	4076.97	2424.42
71069290	All other forms of Semi manufactured Silver	72.77	1465.22	3846.35	89.24
	TOTAL	1486.00	4371.29	8156.80	3151.19

(Source : DGCI&S, Kolkata, Ministry of Commerce, Government of India)

DGFT has permitted import of silver through IIBX also. It is gathered that a quantity of about 113 Tonnes of silver grains has been imported through IIBX till January 23, 2024 since launch of this contract on IIBX on December 13, 2023 under the CEPA Agreement with UAE.

Duty free Silver can be imported by the exporters of Gems & Jewellery either through Nominated Agencies authorized RBI or DGFT or they can import directly against Advance Authorization license issued by DGFT. SEZ Units can also import duty free silver directly for manufacturing and export of jewellery. Small exporters have flexibility to use duty paid silver from domestic market for manufacturing and export of silver jewellery and subsequently they can claim duty drawback at notified rates of the Government as issued from time to time.

Foreign Trade Policy for import of silver in India

Following is the latest Foreign Trade Policy of India for import of silver with respective HS Codes and its description:

1. 1) HS Code 71061000: Silver Powder
 Import Policy Restricted
 Import allowed only through Nominated Agencies (NA's) as notified by RBI (in case of Banks) and DGFT (for other agencies)
2. HS Code 71069110 : Silver Grains (Unwrought)
 Import Policy: Restricted
 Import allowed through Nominated Agencies (NA's) as notified by RBI (in case of Banks) and DGFT (for other agencies). Import is also allowed through Qualified Jewellers (QJ's) as notified by IFSCA through IIBX, IFSC Gift City.
 Silver Dore can be imported by refineries against a license with Actual User (AU) Condition.
3. HS Code 71069190: Other forms of Unwrought Silver
 Policy: Restricted
 Import allowed only through Nominated Agencies (NA's) as notified by RBI (in case of Banks) and DGFT (for other agencies)
4. HS Code 71069210 : Semi manufactured Silver in the form of Sheets, Plates, Strips, Tubes and Pipes of Silver (including silver plated with gold or platinum)

 Policy: Free for Actual Users and Government Departments using for R& D purpose. But Restricted for Others through NA's only.

 It is subject to Policy Condition Number 5 of Chapter 71 of the latest FTP (appended herewith for ready

reference at * as per DGFT Notification No. 57/2023 dated 15/01/2024.

5. HS Code 71069220: Semi manufactured Silver Bars (including silver bars plated with gold or platinum)
 Import Policy: Free
 It is subject to RBI Regulations.
6. HS Code 71069290 : Other forms of Semi-manufactured Silver (including Silver plated with gold or platinum)
 Policy: Free for Actual Users and Government Departments using for R& D purpose. But its import is Restricted for others and can be imported through NA's or QJs only.
 It is subject to Policy Condition number 5 of Chapter 71 of FTP (Appended herewith for ready reference at *. Import for other purposes is also permitted through QJs as notified by IFSCA for import through IIBX apart from NA's authorized by RBI or DGFT as per DGFT Notification No. 57/2023 dated 15/01/2024.

Condition Number 5 of Chapter 71 of the latest FTP is as follows:

For the purposes of this Chapter, any alloy (including a sintered mixture and an inter-metallic compound) containing precious metal is to be treated as an alloy of precious metal if any one precious metal constitutes as much as 2% by weight, of the alloy. Alloys of precious metal are to be classified according to the following rules:

- (a) An alloy containing 2% or more, by weight, of platinum is to be treated as an alloy of platinum;
- (b) An alloy containing 2% or more, by weight, of gold but not platinum, or less than 2% by weight, of platinum, is to be treated as an alloy of gold;
- (c) Other alloys containing 2% or more, by weight, of silver are to be treated as alloys of silver.

Import Duties for Silver Bar, Grains and Silver Dore:

Import duty on refined silver was last increased from 10.75% (7.50% Basic+2.50% AIDC +10% of Basic duty as Social Welfare Surcharge) to 15% (10% Basic + 5% AIDC with exemption of SWS) on February 1, 2023. Import Duty on Silver Dore was also last increased from 9.21 % (Basic 6.10%+AIDC 2.50% + SWS10% of Basic) to 14.35% (Basic 10% +AIDC 4.35% with exemption of SWS) on February 1, 2023.

Import Duty on Silver under CEPA with UAE

Custom duty on import of silver under the HS Codes 71061000, 71069110, 71069190, 71069210, 71069220 and 71069290 as agreed by India in the

CEPA Agreement for the FY 2023-24 is @ 9% of prevailing Tariff Value of silver. This custom duty has been agreed to be eliminated in phased manner over a period of 10 years as follows:-

FY2022-23	9.50%
FY 2023-24	9.00 %
FY 2024-25	8.00%
FY 2025-26	7.00%
FY 2026-27	6.00%
FY2027-28	5.00%
FY2028-29	4.00%
FY2029-30	3.00%
FY2030-31	2.00%
FY2031-32	0.00%

(Source: Annexure 2 A on the Schedule of Specific Trade Commitments of India on Trade in Goods under CEPA Agreement with UAE)

The above said custom duties will be applicable irrespective of any subsequent change in standard prevailing custom duties for normal imports (other than CEPA Agreement). Therefore, custom duty on import of silver under CEPA with UAE @9.00% for the FY 2023-24 is lower by 6% than the present standard custom duty of 15%.

Product Specific Rules (PSR) for Export of Silver from UAE to India under CEPA:

HS Code Heading 7106: Silver unwrought, semi manufactured

PSR Description: Certified UAE/India Good delivery silver Bars in Different Denominations

Product Specific Rule(PSR) for all the above said HS Codes of Silver is Change in Sub Heading from any other Subheading of HS Code i.e. CTSH +3% Value Addition (Source: Annexure 3 B on Product Specific Rule Referred to in Chapter 3 of CEPA Agreement)

Rules of Origin under CEPA with UAE

The producer or manufacturer in UAE has the option to use either of the following two Methods of computing the value addition criteria in the PSR at Annex 3B (Product Specific Rules):

(a) (FOB value or Ex-Works price) – (Value of NOM)
FOB value or Ex-Works Price
Or (b) Cost of originating material + direct labour cost + direct overhead cost
FOB value or Ex-Works price

“Free-On-Board (FOB) value” means the price actually paid or payable to the Exporter for a product when

loaded onto the carrier at the named port of exportation including the cost of the product, and all costs necessary to bring the product onto the carrier;

Value of NOM means Value of Non-Originating Materials. “(NOM)” means any materials whose country of origin is a country other than the Parties (imported non-originating), any materials whose Origin Cannot be determined (undetermined origin) or a material that does not qualify as originating under this Chapter.

“Ex-Works price” means the price paid for the product ex-works to the manufacturer in the Party where last working or processing is carried out provided the price includes the value of all the materials used.

The differences in value addition percentages depending on the methodology, i.e. FOB value or Ex-Works price, are defined in Annexure 3B (Product Specific Rules) of CEPA Agreement with UAE.

Notwithstanding paragraph 1 of the Rules of Origin under CEPA, the final manufacture before export must have occurred in the Party of export. Party of export in instant case of silver is of UAE. Please refer Rules of Origin under Chapter 3 of CEPA Agreement which stipulates requirement of Form 1 and the Minimum Required Information to ensure Country of Origin Rules are being complied with.

Importers of silver under CEPA with UAE have to follow CAROTAR Rules 2020 as per Custom Notification 81/2020 dated 21/8/2020 and amendments thereto from time.

Import of Silver Grains by Nominated Agencies under CEPA Agreement

Some Nominated Agencies imported silver grains from UAE under CEPA Agreement with UAE. It is gathered that they faced certain issues with Customs investigation in compliance with the Country of Origin Rules which is said to be contested by the NA's. Therefore, NA's have stopped importing silver under CEPA with UAE for the time being.

Impact of IIBX on Trade Flow of Silver:

Qualified Jewellers (QJ's) are now also allowed to import silver through IIBX. 180 tonnes of CEPA silver grains traded on IIBX so far (up to January 31st, 2023) since the launch of this contract on December 13th, 2023. It is gathered some QJs have already imported about 113 Tonnes of silver Grains through IIBX since launch of this contract on December 13, 2023 under CEPA Agreement

with UAE at custom duty of 9%. It is gathered that Duty Credit Scrips are also being used by the importers through IIBX for payment of custom duty which provides additional benefit to the importers while payment of duty. There is big potential of increase in import of silver through IIBX with the comparative advantages of custom duty and use of Duty Credit Scrips.

Due to issues faced by the banks in importing silver in the past, Banks are not allowed to import gold and silver through IIBX. Participation of the Banks on IIBX for import of gold and silver is important to bring liquidity and price discovery. We expect RBI to consider participation of the Banks on IIBX for import of gold and silver as an additional source apart from their normal consignment model for import of bullion from foreign suppliers.

It is expected that domestic market will generally remain at discount to the landed cost of import based on prevailing international price with full duty paid @15% as silver is being imported at much lower custom duty under CEPA Agreement with UAE. HZL having annual production capacity of about 800 Tonnes of silver generally sells its silver at discount to the landed cost of import of silver. However, domestic market price could be in parity with the landed cost of import whenever there is significant fall in international prices or there is substantial increase in seasonal demand.

It is gathered that suppliers of silver in UAE include at least 2% profit margin in the stipulated value addition of 3% which includes local ingredients and other costs. Importers on record and IIBX are required to take adequate measures to comply with the Country of Origin

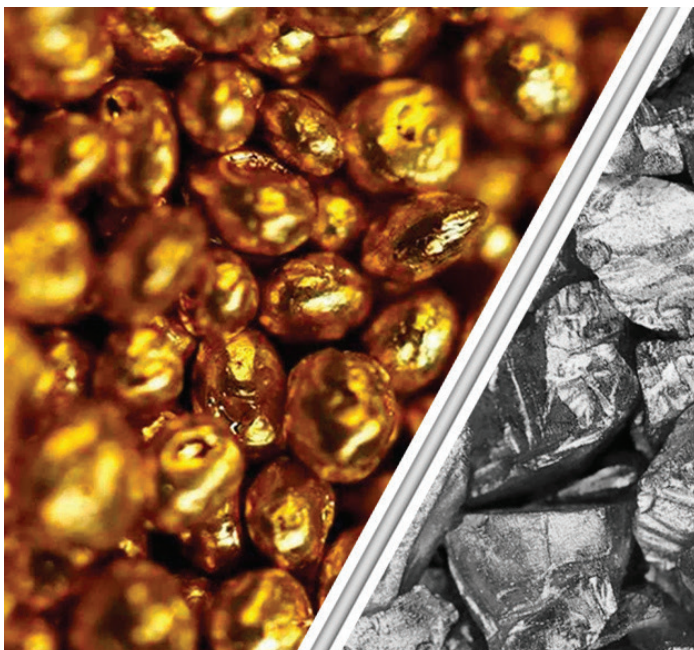
Rules for import of silver under CEPA which can be cross verified as and when required by Custom investigation.

Role of IIBX and IFSCA is important in monitoring of the compliance of stipulated rules including Country of Origin Rules, product Specific Rules and CAROTAR Rules 2020, as the buyer/ importer of Silver under CEPA of UAE and India relies on the IIBX for compliance of stipulated Rules while placing BDR of CEPA Contract of Silver by the Qualified Supplier.

There could be possible review of the Silver Imports under CEPA if its volume goes up abnormally high all of a sudden. Therefore, importers have to use their own wisdom for making sure to comply with the Government Rules and Regulations.

It is felt that the value addition of 3% in export of silver from UAE to India under CEPA (at lower duty of 9% in current financial year) including the profit margin of at least 2% by supplier is much on the higher side if we compare it with the normal premium on import of silver at full custom duty. Therefore, it needs review by both the respective countries to revise the value addition at appropriate mutually agreed level under CEPA.

It is observed that most of the silver imported under CEPA with UAE at lower duty is by the large silver bullion traders. The small manufacturers and exporters with minimum net worth of less than Rs. 25 Crore are not eligible to import silver from IIBX. This needs attention of the Government to take care of small manufacturers and exporters of silver jewelers so that they can derive direct benefit of the CEPA Agreement.



Disclaimer: This note is for the purpose of exclusive information of the readers of Bullion World. It has been prepared to the best of our knowledge gained from notifications of Government Departments including DGFT, Customs and CEPA Agreement between UAE and India as also related guidelines and instructions.

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