GoM favours e-way bill for intra-state gold movement

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A high-level ministerial panel under the Goods and Services Tax (GST) Council has favoured an e-way bill for intra-state movement of gold. The move will help track the movement of gold to help plug tax evasion and smuggling amid rising prices and subdued GST collections. While the idea of a country-wide introduction was rejected on feasibility grounds, willing states may be allowed to introduce it themselves.

The group of ministers (GoM) on e-way bill for gold movement, headed by Kerala finance minister, also discussed the idea of introducing e-invoicing for gold transactions, which will be further discussed in the next meeting.

While e-way bill is compulsory for the movement of all consignments over ₹50,000, gold is exempt from that. The proposal was initially mooted by Kerala, which flagged severe decline in revenue from the precious metal post-GST introduction.

“We have agreed that states themselves may introduce e-way bill on gold movement, as requested by Kerala. However, a countrywide introduction may not be feasible. So, if any state wants, it can go ahead with it as a nationwide system will be very complicated to implement,” Bihar deputy chief minister Sushil Kumar Modi told Business Standard.

Karnataka also favoured the e-way bill for intra-state movement of gold during the meeting.

Kerala is of the view that it is very easy for gold dealers to carry it in suitcases and sell the yellow metal at the customer’s premises.

Gujarat is of the view that some other measures of enforcement must be arrived at other than a nationwide e-way bill on gold as it could lead to security breaches. Besides, the threshold of ₹50,000 was too low for a precious metal like gold. According to Friday’s rate, ₹4,630 will mean less than 10 gms of gold. E-way bill has two parts, where the Port B requires vehicle number. “There may be no vehicle number, considering the small quantity to be carried. So, it will be some other kind of e-way bill, which will essentially track movement of people carrying gold. Certain law changes will be required for this, which will be taken up in the next meeting,” said Modi. He added that e-invoicing on gold transactions will be taken up in the next meeting to discuss whether it will be feasible or not.

E-invoicing will be introduced from October 1 for firms with turnover of over ₹500 crore. Besides, Sushil Kumar Modi, West Bengal finance minister Amit Mitra and Punjab finance minister Manpreet Badal are members of the GoM to discuss feasibility and implementation of e-way bill.

Seen as a safe haven during the Covid-19 pandemic, gold prices have touched a record high, with prices in India up by over 40 per cent in 2020 so far. Kerala has pointed out that at the end of the value-added tax regime, revenue collected from tax on gold was approximately ₹680 crore at an effective tax rate of 1.25 per cent. However, at the existing rate of 3 per cent of tax on gold in the GST regime, the revenue earned was only ₹214 crore.