Government of India

Ministry of Commerce & Industry
Directorate General of Foreign Trade
(Policy Cell IV)

Policy Circular No.18/2004-9 **Dated the 11th February, 2005**

To

All Licensing Authorities

Subject: Minimum Value addition norms and calculation of value addition for the Studded jewellery items.

Letters have been received from the licensing and customs authorities about the appropriate minimum value addition required for the export of studded gold/ silver/ platinum jewellery and how the value addition for such export is to be calculated.

Handbook of Procedures Volume I (2004-09) contains clear provisions regarding the above. These are reiterated for clarity.

Minimum Value Addition

The studded jewellery falls under Para 4.56.1(a) of Handbook of Procedures Volume I (2004-09), and accordingly the minimum value addition required for studded gold/ silver/ platinum jewellery of all types is 15%.

How to calculate Value Addition

Para 4.68 of the Handbook of Procedures Volume I (2004-09)is clear about how the value addition is to be calculated. It is reproduced for ready reference.

"Value Addition -Under the scheme for export of jewellery, the value addition shall be calculated with reference to the *CIF value of gold/ silver/ platinum which shall be equivalent to the total outflow of foreign exchange on account of gold/ silver/platinum content in the export product plus the admissible wastage*. Wherever gold on loan basis has been given, the CIF value shall also include interest paid in free foreign exchange to the foreign supplier."

The above Para does not talk about CIF value of the imported gold only, rather it talks about total outgo of foreign exchange *with reference to the gold content in the export product plus the admissible wastage.*

On the basis of the above Para it is reiterated that the *CIF value of gold will be equivalent to* *the total outflow of foreign exchange on account of gold content in the export product plus the admissible wastage and this will include imported gold and gold procured from other sources used in the export product.*

This issues with the approval of DGFT.

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Subhash

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Assistant Director General of Foreign Trade
For Director General of Foreign Trade

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