

Customs duty cut on silver may give Centre breather for now

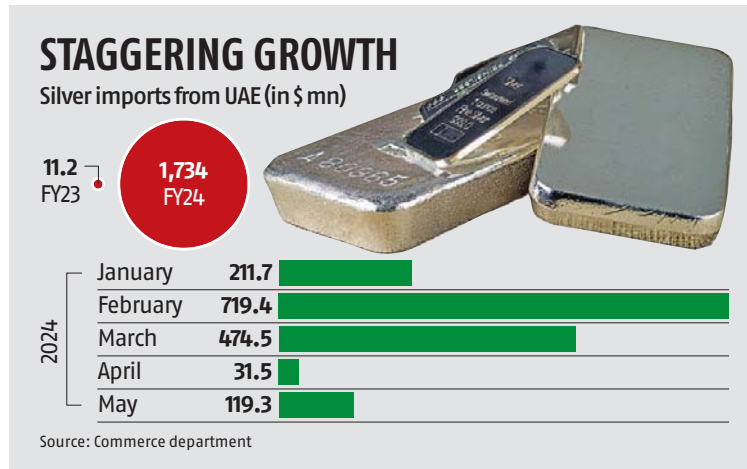
Move may help check spurt in imports from UAE under CEPA

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The steep cut in Customs duty on silver in the FY25 Budget to 6 per cent from 15 per cent may provide the government temporary relief by checking the spurt in silver imports from the United Arab Emirates (UAE) under the Comprehensive Economic Partnership Agreement (CEPA).

In FY24, silver imports from the UAE jumped to \$1.7 billion from only \$11.18 million in FY23, according to commerce department data. In May, about 87 per cent of India's silver imports came from Dubai.

In 2022, India signed the CEPA with the UAE, agreeing to gradually reduce the duty on silver imports to zero over 10 years. Currently, the duty on imports from the UAE under CEPA is 8 per cent. The drop in import duty of silver to 6 per cent for all countries has



thus nullified the advantage for importers to ship silver from UAE.

"The qualified jewellers are allowed to import silver through GIFT city and in addition to that the rate of duty under the UAE CEPA became 8 per cent from April 1 and there is no quantity restriction also. So there was a spurt in silver imports under the UAE CEPA. Now that MFN (most-favoured nation) rate of duty is 6 per cent and

under CEPA it is 8 per cent, so that is plugged," Sanjay Kumar Agarwal, chairman of Central Board of Indirect Taxes & Customs, told *Business Standard* in an interview.

However, the Customs duty on silver imports from the UAE will fall to 6 per cent from April 1 in FY26 under the CEPA, thus bringing parity with the 6 per cent duty for all other countries. Subsequently, from FY27

onwards, concessional duty to the UAE will be 5 per cent or less on silver, restoring its advantage over other countries.

"This situation underscores the urgent need for the government to renegotiate CEPA. Without a revised agreement, the current relief provided by the duty cuts will be short-lived, and India will once again face substantial arbitrage disadvantages. Renegotiating CEPA is essential to ensure that India does not find itself in a similar predicament in the near future," said Ajay Srivastava, founder of Global Trade Research Initiative.

Srivastava said the high silver imports from the UAE is unusual because the UAE does not produce silver. "It imports large silver bars from Russia and other countries, melt and convert these into silver grains. A check with global refiners based in Switzerland, Peru will show that value addition is much less than 1 per cent in this process. Despite this, traders claim and the UAE authorities certify a 3 per cent value addition to meet CEPA rules of origin. It also needs to be seen if this transformation meets the tariff change criteria," he said.