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## Newsflash – Regulatory Updates for Gems & Jewellery Sector from 1 January 2025 to 31 March 2025

## Newsflash

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**For Circulation**  
**19 May 2025**

#### 1.0 Overview

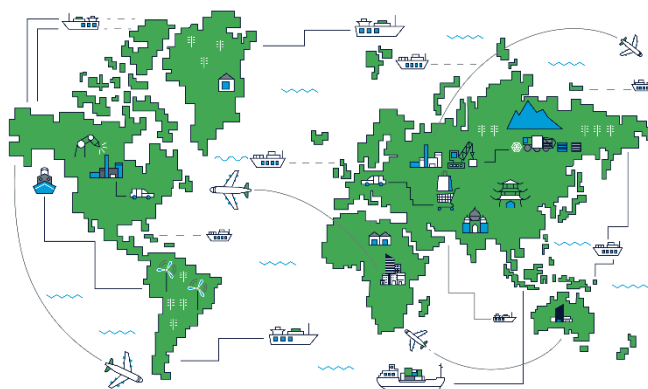
The Gems & Jewellery (G&J) industry in India has long been a cornerstone of the country's economy, renowned globally for its craftsmanship and cultural significance. With a history spanning millennia, the industry encompasses a wide range of activities from mining and processing of raw materials to manufacturing and export of finished products. As one of the largest employers in the country, especially of skilled and semi-skilled labour, the G&J sector plays a crucial role in both economic growth and cultural heritage preservation.

In this Newsflash, we have provided a brief overview on the regulatory updates in the Gems & Jewellery sector for the Quarter 1 January 2025 to 31 March 2025.

#### 1.1 Gems & Jewellery Exports

According to the Gem & Jewellery Export Promotion Council (GJEPC), India's gems and jewellery exports experienced a decline in the first quarter of 2025. In January 2025, exports fell by 7.01% to \$2.24 billion compared to \$2.41 billion in January 2024. This decline was attributed to global economic uncertainties and tariff threats from the United States.

February 2025 saw a more significant drop, with exports decreasing by 23.49% to \$2.42 billion, down from \$3.17 billion in February 2024. This was due to continued weak demand from key markets like the United States and China, as well as a 10-15% correction in rough diamond prices. However, March 2025 experienced a slight rebound, with exports rising by 1% year-on-year to \$2.56 billion.



Overall, the first quarter of 2025 witnessed a decline in exports due to global economic factors and trade uncertainties.

#### 1.2 Gems & Jewellery Imports

According to the Gem & Jewellery Export Promotion Council (GJEPC), the overall gross imports of Gems & Jewellery at US\$ 1421.61 million in month of Jan 2025 is showing a decline of 37.83% as compared to US\$ 2286.55 million for the same period previous year.

The overall gross imports of Gems & Jewellery at US\$ 1362.62 million in month of Feb 2025 is showing a decline of 40.04% as compared to US\$ 2272.51 million for the same period previous year.

The overall gross imports of Gems & Jewellery at US\$ 1939.30 million in month of Mar 2025 is showing a decline of 7.20% as compared to US\$ 2089.76 million (Rs. 17349.51 crores) for the same period previous year.

### 1.3 Key Government Initiative

- India's gem and jewellery sector has signed multiple memorandums of understanding (MoUs) with Thailand's jewellery trade to enhance bilateral trade. Exports from India to Thailand account for 15% of Thailand's total gem and jewellery imports. The country ranks among the top 10 importers of Indian gem and jewellery products.
- The Indian gem and jewellery market, valued at Rs. 7,37,035 crore (US\$ 85 billion), is expected to grow significantly, reaching Rs. 11,27,230 crore (US\$ 130 billion) by 2030, according to the Gem & Jewellery Export Promotion Council ('GJEPC'), the apex trade body for the industry. Chairman of GJEPC, Mr. Vipul Shah, announced that the organisation had invested Rs. 150 crore (US\$ 17.30 million) in the global promotion of diamonds. To boost this initiative, GJEPC signed a Memorandum of Understanding (MoU) with De Beers Group on January 7, 2025, to launch the Indian Natural Diamond Retailer Alliance (INDRA). This collaboration aims to support independent retailers in India through advanced tools, including artificial intelligence (AI) for customized campaigns.
- GJEPC also focuses on expanding its international presence, with plans for an exhibition in Saudi Arabia in September 2025. This event will foster stronger trade ties between India and the Gulf Cooperation Council (GCC) region. Additionally, GJEPC signed an MoU with DHL Express to streamline the global export of Indian-made jewellery. Regarding export prospects, he expressed optimism for 2025, citing a potential boost from geopolitical stability under the leadership of the US President. On the domestic front, GJEPC aims to make Singur in West Bengal a global export hub for fashion and costume jewellery. Singur's skilled workforce, including 20% of its women artisans, and its strategic location near Kolkata International Airport position it as an ideal manufacturing hub. He highlighted that shifting global trade dynamics could offer significant opportunities for Singur's jewellery makers to expand their global reach.

### 1.4 Some Key Facts and Figures

- India's gems & jewellery exports are expected to reach US \$ 100 billion by 2027.
- The Gems and Jewellery Industry contributes about 7% to the country's GDP and employs more than five million skilled and semi-skilled workforces in the country. More than 300,000 gems and jewellery players.
- India's gold demand in 2025 is projected to remain robust, ranging between 700-800 tonnes despite a 31 per cent increase value-wise in 2024 - **World Gold Council**.

- The gems and jewellery sector represents 0.19% of the total equity inflow for FDI from April 2000 to December 2024.
- Cumulative FDI inflows in diamond and gold ornaments in India stood at Rs. 8,020.38 crore (US\$ 1,322.40 million) between April 2000-September 2024, according to the Department for Promotion of Industry and Internal Trade (DPIIT).
- In September 2023, Malabar Gold & Diamonds announced to invest Rs. 1,000 crore (US\$ 120.4 million) by FY25, the company announced generating 4,000 jobs in Maharashtra
- India has 10 special economic zones (SEZ) for gems & jewellery. These zones have more than 500 manufacturing units, which contribute 30% to the country's total exports. The revised SEZ Act is also expected to boost gems and jewellery exports.
- The sector now has Authorized Economic Operator ('AEO') status from the finance ministry, easing export-import processes with quicker cargo release, 50% lower bank guarantees.

## 2.0 Regulatory Updates - Direct Taxes

### 2.1 CBDT may reduce or waive interest charged under section 201(1A)(ii)/ 206C(7) of the Act under specific cases.

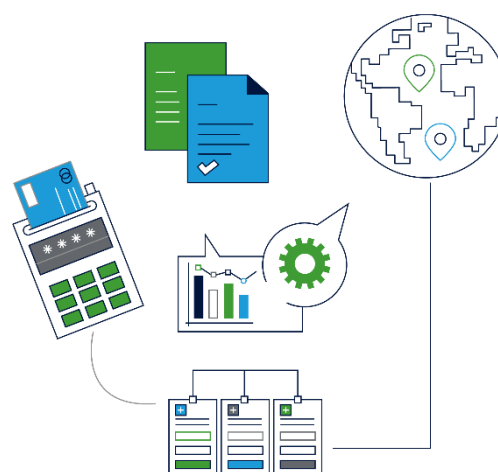
CBDT issues **Circular No. 5/2025 dated 28 March 2025** for Order under section 119 of the Income-tax Act, 1961 for waiver on levy of interest under section 201(1A)(ii)/ 206C(7) of the Act, as the case maybe, in specific cases.

#### **CBDT takes cognizance of:**

- (a) The taxpayers have encountered technical glitches while making payments of TDS and TCS to the credit of the Central Government.
- (b) Because of such glitches, while the payment is initiated by the taxpayers and the amounts are debited from their bank accounts on or before the due date, however, the actual credit to the Central Government is done after the due date.
- (c) In such cases, notices have been received by such taxpayers for levy of interest under section 201(1A)(ii)/ 206C(7) of the Act, as the case maybe.

Thus, it direct authorities to reduce or waive interest charged under section 201(1A)(ii)/ 206C(7) of the Act in the class of cases where payment is initiated by the taxpayers and the amounts are debited from their bank accounts on or before the due date, however, the actual credit to the Central Government is done after the due date.

Even if the interest has already been paid by the taxpayer, the same can be considered for waiver and a refund maybe given to the deductor, if waiver is ordered.



No waiver application shall be entertained beyond one year from the end of the financial year for which the interest under section 201(IA)(ii)/ 206C(7) of the Act is charged.

**Reference Link** - [circular-no-5-2025.pdf](#)

## 2.2 CBDT issued FAQs on Guidelines for Compounding of Offences

CBDT issue **Circular no.04/2025 dated 17 March 2025** pertaining to Frequently Asked Questions (FAQs) on Guidelines for Compounding of Offences under the Income-Tax Act, 1961 dated 17.10.2024

- CBDT issued revised guidelines for Compounding of offences under the Income-tax Act, 1961(the 'Act') on 17.10.2024.
- The revised guidelines superseded all existing guidelines on the subject and are applicable to pending as well as new applications, from the date of their issuance.
- The revised guidelines have been simplified from previous guidelines, inter-alia, by eliminating categorization of offences, removing the limit on number of occasions for filing applications, allowing fresh application upon curing of defects, which was not permissible under earlier guidelines, allowing compounding of offences under section 275A and 276B of the Act, removing the existing time limit for filing application viz 36 months from the date of filing of complaint, etc.
- For better awareness and understanding among the stakeholders with respect to the revised guidelines dated 17.10.2024, clarifications are provided by issue of a Circular in the form of answers to the frequently asked questions (FAQs).

**Reference Link** - [circular-no-04-2025.pdf](#)

## 2.3 CBDT Notifies no deduction of tax u/s. 194Q on purchase of goods from a unit of IFSC subjected to condition.

CBDT issued **Notification No 3/2025 dated 2 January 2025** states that no deduction of tax shall be made under the provisions of section 194Q by a person, being a buyer, in respect of purchase of goods from a Unit of International Financial Services Centre, being a seller subjected to conditions which is as follow:

- The seller shall furnish a statement-cum-declaration in the format provided in Form No. 1 to the buyer giving details of previous years relevant to the ten consecutive assessment years for which the seller opts for claiming deduction under sub-sections (1A) and (2) of section 80LA of the said Act and such statement-cum-declaration so furnished shall be verified in the manner specified in the said Form.
- The Buyer shall not deduct tax on payment made or credited to the seller after the date of receipt of copy of the statement-cum-declaration in the said Form from the seller and furnish the particulars of all the payments made to the seller on which tax has not been deducted in the

statement of deduction of tax referred to in sub-section (3) of section 200 of the said Act read with rule 31A of the Income-tax Rules, 1962.

- **The relaxation under this notification shall be available to the seller only during the said previous years relevant to the ten consecutive assessment years as declared by the seller in the said Form for which deduction under section 80LA of the said Act is being opted and the buyer shall be liable to deduct tax on payments made or credited for any other year.**

This notification shall come into force on 1st day of January 2025.

**Reference Link** - [notification-no-3-2025.pdf](#)

## **2.4 CBDT issued Notification No 8/2025 dated 20 January 2025 states that Direct Tax Vivad Se Vishwas Scheme, 2024 was introduced and came into force with effect from the 1st day of October 2024.**

**While implementing the said Scheme difficulties have arisen in situations where –**

- (a) an order in case of a person had been passed on or before 22 July 2024
- (b) the time for filing an appeal in respect of such order was available as on the said date
- (c) appeal in respect of such order was filed after the said date within the stipulated time as applicable for filing of such appeal and
- (d) aforesaid appeal is filed without any application for condonation of delay.

**Therefore, to remove the difficulties the Central Government hereby makes the following Order to remove the difficulty, namely: –**

- (i) in the case of such a person, aforesaid appeal shall be considered as pending as on the 22 July 2024 for the purposes of the said Scheme
- (ii) such a person shall be considered as an appellant for the purposes of the said Scheme
- (iii) in such a case, disputed tax shall be calculated on the basis of such appeal and
- (iv) the provisions of the said Scheme and the rules framed thereunder shall apply accordingly in such a case.

**Reference Link** - [notification-no-8-2025.pdf](#)

## **2.5 CBDT notifies amendments in tax audit report**

CBDT issued **Notification 23/2025 dated 28 March 2025** notifies amendments to Form 3CD which are as follows: -

- (a) **Clause 12** – Section 44BBC has been inserted.
- (b) **Clause 19** – Omission of certain investment linked deduction such as Section 32AC, 32AD, 35AC and 35CCB.
- (c) **Clause 21** - Expenditure incurred to settle proceedings initiated in relation to contravention under such law as notified by the Central Government in the Official Gazette in this behalf has been inserted.
- (d) **Replacement of Clause 22** – i. Amount of interest inadmissible under section 23 of MSMED Act – any interest paid to micro or small enterprises for delayed payments, which is disallowed as expense must now be reported. ii. Total outstanding amounts payable under Section 15 during the previous year. iii. A clear classification of payments made within and beyond the prescribed period.
- (e) **Clause 26** – Modification have been made to the language and references related to tax allowance.
- (f) **Clause 28 & 29** – removed to align with recent tax law amendments.
- (g) **Clause 31** – Introduction of new reporting codes for various types of financial transactions including cash payment or receipts, non-account payee cheques, Journal entries and other modes of payment.
- (h) **Clause 36B** – A new clause has been introduced to capture detailed information on share buybacks.

**Reference Link** - [notification-no-23-2025.pdf](#)

### 3.0 Regulatory Updates - Indirect Taxes

- 3.1** Under Union Budget 2025-26, the customs tariff on jewellery (HSN code 7113) was reduced from 25% to 20% and on platinum findings from 25% to 5%, making jewellery more affordable and boosting domestic demand.

### 4.0 Regulatory Updates - Foreign Trade Policy, 2023.

#### 4.1 Govt amends Foreign Trade Policy, 2023 for Stakeholder Consultation; encourages inclusive decision-making

- On **3 January 2025**, the Directorate General of Foreign Trade (DGFT) notified amendment in the Foreign Trade Policy, 2023 to include Para 1.07A and 1.07B to bring legal backing in the FTP to make it necessary to do consultation with stakeholders to seek views, suggestions, comments or feedback from relevant stakeholders, including



importers/exporters/industry experts concerning the formulation or amendment of the Foreign Trade Policy.

- The latest amendments in the Foreign Trade Policy, 2023 reflect upon the Central Government's commitment towards strengthening the scope of Ease of Doing Business (EoDB) in India by encouraging stakeholder and expert participation through consultation in the decision-making process.

**Reference Link -** [Press Release: Press Information Bureau](#).

#### **4.2 Department of Commerce introduces Diamond Imprest Authorization Scheme to boost global competitiveness of diamond sector**

The Department of Commerce, Government of India has introduced the Diamond Imprest Authorisation (DIA) Scheme, aiming to enhance India's global competitiveness in the diamond sector, according to a statement from the Ministry of Commerce & Industry. Announced on 21<sup>st</sup> January 2025, the scheme will come into effect on 1<sup>st</sup> April 2025, offering duty-free imports of Natural Cut and Polished Diamonds under specific conditions to support exporters and sustain domestic industry growth. [Press Release: Press Information Bureau](#).

#### **4.3 DGFT Launches Enhanced eCoO 2.0 System with Provisions for Back-to-Back Certificates of Origin**

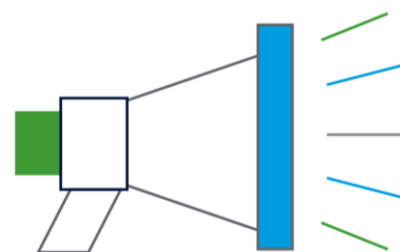
- On 27 January 2025 the Directorate General of Foreign Trade (DGFT) has launched the enhanced Certificate of Origin (eCoO) 2.0 System, a significant upgrade designed to simplify the certification process for exporters and enhance trade efficiency.
- As of 1st January 2025, the electronic filing of Non-Preferential Certificates of Origin has become mandatory via the eCoO 2.0 platform.
- Reference Public Notice 43/2024-25 dated 27.01.2025, DGFT has introduced the procedure for availing online Back-to-Back Certificates of Origin (Non-Preferential). These certificates cater to goods not of Indian origin, intended for re-export, trans-shipment, or merchanting trade.

**Reference Link -** [Press Release: Press Information Bureau](#)

### **5.0 FEMA Updates**

#### **5.1 RBI issued Press Release dated 16 January 2025 pertaining to Steps to encourage use of Indian Rupee and local / national currencies for settlement of cross border transactions – Liberalization of FEMA regulations.**

- To encourage greater use of Indian Rupee (INR) for trade transactions, in July 2022, an additional arrangement in the form of Special Rupee Vostro Account (SRVA) was introduced. Several foreign banks have since opened SRVAs with banks in India. The Reserve Bank has also signed Memorandum of Understanding (MoU) with the central banks of the United Arab Emirates, Indonesia and Maldives, to encourage cross-border transactions in local currencies.



- In order to promote cross border transactions in INR and local / national currencies, a further review of the existing regulations issued under FEMA, 1999 has been undertaken by the Reserve Bank in consultation with the Central Government. **Accordingly, the following changes have been made in the extant FEMA regulations:**

- (a) Overseas branches of Authorized Dealer banks will be able to open INR accounts for a person resident outside India for settlement of all permissible current account and capital account transactions with a person resident in India.
- (b) Persons resident outside India will be able to settle bona fide transactions with other persons resident outside India using the balances in their repatriable INR accounts such as Special Non-resident Rupee account and SRVA.
- (c) Persons resident outside India will be able to use their balances held in repatriable INR accounts for foreign investment, including FDI, in non-debt instruments.
- (d) Indian exporters will be able to open accounts in any foreign currency overseas for settlement of trade transactions, including receiving export proceeds and using these proceeds to pay for imports

**Reference Link -** [Reserve Bank of India - Press Releases](#)

## 5.2 RBI issued Notification No FEMA 10(R)(5)/2025-RB dated 14 January 2025 pertaining to insertion of new sub regulation to the Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) (Fifth Amendment) Regulations, 2025

A person resident in India, being an exporter, may open, hold and maintain a Foreign Currency Account with a bank outside India, for realisation of full export value and advance remittance received by the exporter towards export of goods or services. Funds in this account may be utilised by the exporter for paying for its imports into India or repatriated into India within a period not exceeding the end of the next month from the date of receipt of the funds after adjusting for forward commitments, provided that the realisation and repatriation requirements as specified in Regulation 9 of Foreign Exchange Management (Export of Goods and Services) Regulations, 2015 are also met.

**Reference Link -** [Reserve Bank of India - Notifications](#)

## 6.0 UAE Taxation

### 6.1 The Federal Tax Authority allows taxpayers to request extensions for submitting tax assessment review requests or requests for reconsideration

Federal Tax Authority vide **Decision No. 1 of 2025 issued on 17 February 2025** effective from March 1, 2025, allows taxpayers to request extensions for submitting tax assessment review requests or requests for reconsideration. Extensions may be granted for reasons such as serious illness, accidents, or system malfunctions, provided the delays are not due to negligence.

**Reference Link** - [FTA-Decision-No-1-of-2025.pdf](#)

### 6.2 The Ministry of Finance has announced expanding the application of the Reverse Charge Mechanism

- The Ministry of Finance has announced the issuance of **Cabinet Decision No. (127) of 2024**, expanding the application of the Reverse Charge Mechanism to include precious metals and stones for VAT-registered businesses in the UAE.
- This decision repeals the earlier **Cabinet Decision No. (25) of 2018**, which applied only to supplies of gold and diamonds among registered dealers.
- Under the new decision, suppliers in the precious metals and stones sector will no longer need to charge VAT on their business-to-business transactions or remit VAT to the Federal Tax Authority. Instead, buyers will account for the VAT on both the sale and purchase of goods in their VAT returns, provided that both parties are registered for VAT in the UAE.
- This change is expected to deliver significant advantages to businesses by simplifying compliance and improving cash flow. It reflects the UAE government's continued commitment to enhancing the competitiveness of the precious metals and stones trading sector.

**Reference Link** - [United Arab Emirates Legislations | Cabinet Resolution On the Application of Reverse Charge Mechanism to Precious Metals and Precious Stones Among Registrants in the State for Value-Added Tax Purposes.](#)

### 6.3 Cabinet of UAE introduces Top Up Tax on Multinational Enterprises.

- The Decision by the Cabinet took effect on 1st January 2025 and shall be applicable to Fiscal Years beginning on or after 1 January 2025.
- The UAE Domestic Minimum Top-up Tax ("DMTT") will apply to Constituent Entities @ 15% that are members of Multinational Enterprises ("MNEs") operating in the UAE with annual global revenues of €750 million or more in the Consolidated Financial Statements of the Ultimate Parent Entity in at least two out of the four financial years immediately preceding the financial year in which the UAE DMTT applies.

- This strategic step reflects the UAE's commitment to implementing the Organisation for Economic Co-operation and Development's ("OECD") Two-Pillar Solution, aimed at establishing a fair and transparent global taxation system aligned with international standards.

**Reference Link** - [UAE Domestic Minimum Top-up Tax - Ministry of Finance - United Arab Emirates](#)

#### 6.4 The Federal Tax Authority to enhance clarity and efficiency in tax administration

The Federal Tax Authority (FTA) of the United Arab Emirates issued Decision No. 2 of 2025, effective from March 1, 2025, to enhance clarity and efficiency in tax administration. This decision outlines the procedures for issuing clarifications and directives, including guidelines for private and public clarifications, administrative exceptions, input tax apportionment, and advance pricing agreements.

**Reference Link** - [FTA-Decision-No-2-of-2025.pdf](#)

#### 6.5 The Federal Tax Authority provide guidance on the amendment introduced to the Value Added Tax (VAT) executive regulation

The Federal Tax Authority (FTA) on March 14, 2025, published Public Clarification No. 40 to provide guidance, on the amendment introduced to the Value Added Tax (VAT) executive regulation, in relation to various matters such as the supply of more than one component, Profit margin scheme, Zero rating the export of goods and services, Tax treatment of financial services, Nonrecoverable input tax, Apportionment of input tax, etc.



The VAT regulation amendment became effective on November 15, 2024, and is the most significant amendment to the VAT rules since the implementation of VAT in the UAE.

**Reference Link** - [VATP040 - Amendments to VAT ER - 14 03 2025.pdf](#)

#### 6.6 Tax Incentives to Support Growth and Innovation: -

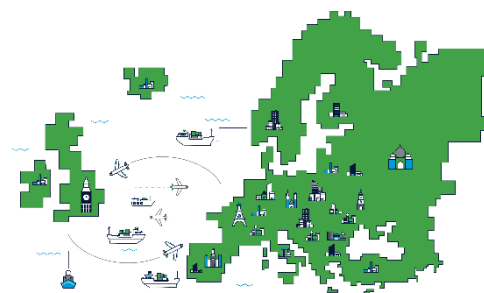
- **Refundable tax credit for high-value employment activities: -**
  - A refundable tax credit is under consideration for high-value employment activities, aimed at incentivising businesses to undertake initiatives that generate substantial economic value, foster innovation, and strengthen the UAE's position in global competitiveness.
  - This incentive is proposed to be effective from 1 January 2025 and will be offered as a percentage of eligible salary expenditures for employees involved in high-value employment activities. These activities encompass roles held by C-suite executives and other senior professionals engaged in key business functions that contribute significantly to the UAE's economic value.
  - The final structure and implementation of the proposed incentives remain subject to legislative approval. The Ministry of Finance will issue further details and guidance for taxpayers in due course.

## ➤ **Research and Development (R&D) Tax Incentive:-**

- To promote research and development (R&D), drive innovation, and support economic growth in the UAE, a dedicated R&D Tax Incentive is under consideration. Informed by feedback from public consultations held in April 2024, the proposed incentive is expected to apply to tax periods commencing on or after 1 January 2026.
- The R&D tax incentive will be structured as an expenditure-based benefit, offering a potential tax credit ranging from 30% to 50%. The refundability of the credit will depend on factors such as the company's revenue and workforce size within the UAE.
- The scope of Qualifying R&D activities will be aligned with the OECD's Frascati Manual guidelines and must be carried out within the UAE.

## 7.0 **United Kingdom Taxation**

No substantive tax changes announced in the Spring Statement 2025. This followed the vast changes made – or largely announced in advance - in the last actual Budget on 30 October 2024. To find ways to continue to provide certainty in existing areas of taxation, simplify areas which are overly complex and crack down on the loss of tax revenue through tax avoidance schemes, the Government has launched several consultations, few of which are as follow:



- 7.1 Enhancing HMRC's ability to tackle tax advisers facilitating non-compliance:** The Government is committed to cracking down on the loss of tax revenue through tax avoidance. As such, this consultation welcomes thoughts on expanding HMRC's powers to gather information from tax advisers and publishing details of tax advisers both publicly and with professional bodies. This consultation will run until 7 May 2025.
- 7.2 Closing in on promoters of tax avoidance:** As announced at the Budget last autumn, the government is publishing a consultation on a package of measures to close in on promoters of marketed tax avoidance.
- 7.3 Behavioural penalty reform:** The consultation comes off the back of previous consultations regarding the tax administration framework. The consultation welcomes thoughts on simplifying the UK's behavioural penalty regime, either through a new regime or amendments to the existing regime, which ensure that tax penalties remain proportionate enough to encourage compliance and penalise the most serious failures. The consultation will run until 18 June 2025.
- 7.4 Research and Development tax relief advance clearances:** This consultation is aimed at understanding whether a system of advance clearances would help to reduce error and fraud,

increase certainty for customers, and improve customer experience. The consultation will run until 26 May 2025.

- 7.5 Increasing late payment penalties:** The government will increase late payment penalties for VAT taxpayers and income tax Self-Assessment taxpayers as they join MTD, from April 2025 onwards. The new rates will be 3% of the tax outstanding where tax is overdue by 15 days, plus 3% where tax is overdue by 30 days, plus 10% per annum where tax is overdue by 31 days or more.

**Reference Link - [Spring Statement 2025](#)**

## 8.0 Belgium Taxation

### 8.1 New Belgian VAT Rules Effective from 1 January 2025

Effective from 1 January 2025, the Belgian VAT administration will introduce revised VAT regulations impacting filing deadlines, correction mechanisms, penalties, refund procedures, and payment processes. These reforms are designed to simplify VAT compliance, promote timely adherence, and modernise the framework for handling refunds and payments. Few updates are as follows: -



- **Quarterly VAT Returns:** The filing deadlines will be extended from the 20th to the 25th day of the month following the reporting period.
- **Monthly VAT Returns:** The deadlines will remain on the 20th; however, existing tolerances—such as extensions to the first working day or the summer regime—will be eliminated starting 1 May 2025.
- Corrections after the deadline must be included in the next VAT return, as standalone corrective returns will no longer be accepted.
- If a return is not filed within three months of the deadline, the tax authorities will issue a “substitute VAT return” estimating the VAT due based on previous filings, with a minimum amount of €2,100. Filing the correct return within one month of receiving this notice will stop any further enforcement actions.
- **Revised penalties will apply for non-compliance:** Late submissions will incur a fine of €100 per month, capped at €500; non-submission penalties start at €500 for the first offence and can increase to €5,000 by the fourth offence. Penalties for late or non-payment range from 5% to 15%, depending on the situation, such as delays or substitute returns.
- VAT credits will be moved to a provision account: For monthly returns, this transfer must occur by the end of the second month after the reporting period; for quarterly returns, by the end of the third month. Any remaining credits may be used to offset outstanding tax liabilities before the transfer. Refund requests can then be made through the MyMinfin platform.

**8.2** The "Arizona" Government Agreement of 31 January 2025 contains a series of measures that will substantially impact taxpayers subject to corporate income tax ("CIT") and their shareholders. The government agreement (Agreement) provides an overview of intended tax policy and announces a wide range of tax measures that will affect businesses, individuals, and various sectors. Although the Agreement sets 2026 as the target for implementing all measures, the exact date of implementation and possible transitional measures are still uncertain. The below is an overview of the main measures.

- **Dividend Received Deduction:** - The government has opted to replace the current Dividend Received Deduction ("DRD") with a Dividend Received Exemption. This exemption will be reflected in the corporate income tax return by adjusting the opening balance of the taxpayer's reserves. Concurrently, the eligibility criteria for this regime will be made more stringent. While the 10% participation requirement remains unchanged, the monetary threshold will be raised from €2.5 million to €4 million. However, this increased threshold will not be applicable to small and medium-sized enterprises.
- **Exit Tax:** - Taxpayers currently contest the tax administration's position that an outbound transfer of a Belgian company's seat—where no permanent establishment is retained in Belgium but legal and accounting continuity is maintained in the destination country—constitutes a deemed liquidation, thereby triggering a withholding tax on the resulting liquidation gain in the hands of shareholders. The new government intends to resolve this debate going forward by establishing that any outbound transfer of a company's seat will be treated as a liquidation for tax purposes, resulting in the application of withholding tax.
- **Group Contribution Regime:** - The Agreement outlines plans to introduce greater flexibility into the existing group contribution regime. This regime allows Belgian companies to transfer taxable profits to other Belgian group entities, which can then offset these amounts against their current-year losses, effectively enabling a form of tax consolidation. However, the regime is currently subject to strict conditions, including a minimum 90% direct ownership requirement and a five-year holding period. The Agreement seeks to enhance the appeal of the regime by extending eligibility to include indirect and newly acquired participations.
- **Administrative Ease:** The government aims to simplify corporate taxation by introducing an optional and simplified system for fiscally disallowed expenses, reducing the administrative burden on businesses.

## 9.0 United States of America Taxation

### 9.1 U.S. Government Announces New Tariff Measures on Imports

- On 2 April, 2025, President Donald Trump launched a significant tariff initiative wherein he imposed a baseline 10% reciprocal tariff on all nations, with higher tariffs specifically targeting countries where the U.S. has the largest trade deficit in addition to the existing tariffs.



- The baseline 10% reciprocal tariff would be effective from 5 April 2025 while the country-specific tariffs (additional 16% in case of India) which were to be made effective from 9 April 2025 has been postponed for a period of 90 days till 9 July 2025 (as discussed in detail in Annexure A).
- The US Government also issued a list of goods that shall not be subject to the ad valorem rates of tariffs issued as Annexure II to the Executive Order. This annexure includes imports of gold and silver compounds, compounds of precious metals, gold, silver and platinum bullions on which additional tariffs shall not be applicable.

**A comprehensive newsflash issued by RSM covering the Impact of Tariffs issued on the Gems and Jewellery Sector Exports is attached as Annexure A in the later part of this note.**

- It is pertinent to note that on April 9 2025, the US Government under Trump's leadership issued an executive order modifying the Tariff Schedule to temporarily suspend, for a period of 90 days, except with respect to the People's Republic of China, the application of the individual additional tariffs imposed for foreign trading partners listed in Annex I. A base tariff of 10% would be applicable on nearly all imports made from worldwide.

**9.2** The IRS on 15 January 2025 released [Announcement 2025-6](#) that introduces and describes three pilot programs to test changes to its alternative dispute resolution (ADR) programs. A related IRS release—[IR-2025-14](#)—explains that the pilots focus on Fast Track Settlement (FTS) and Post-Appeals Mediation (PAM).

- FTS allows the IRS Independent Office of Appeals (Appeals) to mediate disputes between a taxpayer and the IRS while the case is still within the jurisdiction of the examination function.
- PAM is a program in which a mediator is introduced to help foster a settlement between appeals and the taxpayer.
- **Among other things, the pilots:**
  - (a) Align the Large Business and International (LB&I), Small Business and Self-Employed (SB/SE) and Tax Exempt and Government Entities (TE/GE) divisions in offering FTS on an issue-by-issue basis. Previously, if a taxpayer had one issue that was ineligible for FTS, the entire case was ineligible.
  - (b) Provide that requests to participate in FTS and PAM will not be denied without the approval of a first-line executive.
  - (c) Clarify that when requests for FTS or PAM are formally denied, taxpayers will receive an explanation for the denial.
- Another pilot, "Last Chance FTS," will inform taxpayers of FTS options before their cases move to appeals.

- Lastly, another pilot removes the limitation that participation in FTS would preclude eligibility for PAM.
- These piloted changes will be evaluated after a two-year test period to determine the degree to which they should be discontinued, adjusted, or made permanent. Comments will be accepted throughout the pilot period.

## 10.0 Botswana Taxation

The Minister of Finance and Economy Development presented the budget for 2025-2026 on 10<sup>th</sup> February 2025. Regarding tax, the budget proposes:

- 1.5% increase in company tax rates from 22% to 23.5%.
- Introduction of VAT on digital trade and development of the Electronic VAT Invoicing Solution. The development of a fiscal marking and monitoring solution (track & trace) has also been proposed.
- Creation of Sovereign Wealth Fund and National Fund of Funds.
- Improving Public Expenditure Efficiency by reducing financial support to Commercial State-Owned Enterprises (SOEs) and Local Authorities (LAs) and investing in income generating assets.
- Strengthen oversight and regulatory institutions to address structural and market barriers.
- Repealing and Re-Enactment of a new Tax Administration Act (the VAT Act and Income Tax) which aims to harmonise tax rules in the Value Added Tax (VAT) and Income Tax Acts, reduce compliance time for taxpayers, and eliminate duplication in filing and paying taxes.



## Annexure A: - Impact of US tariffs on Gems and Jewellery Sector Exports

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### Documents Issued by the US Government

1. **RECIPROCAL TARIFF BREAKDOWN LIST**
2. **FACT SHEET:** President Donald J. Trump Declares National Emergency to Increase our Competitive Edge, Protect our Sovereignty, and Strengthen our National and Economic Security
3. **FACT SHEET:** President Donald J. Trump Closes De Minimis Exemptions to Combat China's Role in America's Synthetic Opioid Crisis
4. **EXECUTIVE ORDER:** Regulating Imports With a Reciprocal Tariff to Rectify Trade Practices That Contribute to Large and Persistent Annual United States Goods Trade Deficits and Annex I & II thereto
5. **EXECUTIVE ORDER:** Further Amendment to Duties Addressing the Synthetic Opioid Supply Chain in the People's Republic of China as Applied to Low-Value Imports

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*The purpose of this note is to provide a high level overview of the additional tariff measures imposed by the US on its various trade partners vide Executive Order issued on 2 April 2025 and the coverage w.r.t. the G&J sector based on publicly available information. The contents of this note are subject to revalidation by legal advisors in the US and India. After review of this note, the same should be discussed with us to determine a further course of action. The data coverage in this note is subject to revalidation of facts mentioned hereinabove. No part of this note may be reproduced without our prior written consent. The note contains our views on the subject matter based on the facts explained to us. Our views may differ depending upon changes in facts, circumstances or legal provisions. Governmental or judicial authorities may or may not subscribe to the views expressed herein. The situation is rapidly evolving and changing and as such, the contents must be revalidated at the time of analysis of tariff applicability. Under no circumstances, our liability in respect of matters discussed in this note shall exceed the fees received or damages actually suffered for this matter, whichever is less.*

## High Level Note on US Tariff 2025

### Impact on Gems and Jewellery Sector Exports

#### 1.0 Overview of India-USA Gems and Jewellery Trade:

##### 1.1 India-USA Gem and Jewellery Trade statistics:

Particulars	Year 2024
USA imports from India	US\$ 11.58 billion
USA exports to India	US\$ 5.31 billion
USA India Bilateral Trade	US\$ 16.89 billion

**Source :** GJEPC Research Division based on DGCIS and USITC, 2024

**Note :** The export and import figures include consignment exports/reimports, where exports and imports is noted in the figures of each country without tracking them as consignment exports/ reimports

##### 1.2 Comparative tariffs in both the countries w.r.t. India's Exports to the US

Commodity Category	Exports to USA		Current		US Tariff announced on 2 April 2025	Comments
	2022-23	2023-24	Tariff applicable in USA for India	Tariff applicable in India for USA		
	US\$ Mill	US\$ Mill				
Cut & Polished Diamonds	7,972.16	5,601.24	0%	5%	The United States announced a 26% reciprocal tariff on India	The baseline 10% tariffs - effective on April 5, Country-specific tariffs (16%) would be effective from April 9.
Worked Lab Grown Diamonds	1,088.65	831.45	0%	5%		
Plain Gold Jewellery	441.21	267.12	7%	20%		
Studded Gold Jewellery	2487.51	2547.31	5.50%	20%		
Total Gold Jewellery	2928.72	2814.43				
Silver Jewellery	344.29	320.02	5 to	20%		
Coloured Gemstones, worked	116.16	114.55	0%	5%		
Platinum Jewellery	14.93	133.96	5.50%	20%		
Imitation Jewellery	45.43	40.11	3.3 to 11%	25%		
Others	75.91	92.74				
Total	12,586.25	9,948.50				
		Without Local Taxes : Average Tariffs	3.17%	8.63%		

**Source :** GJEPC Research Division based on US Annex Tariff Schedule from USITC

### Going by the State wise local sales tax rates in USA:

- Average State Sales Tax—6.62%,
- Max - 10.12%,
- Min - 1.82%,
- 4 States with 0%

**Source:** Sales Tax Clearing House & GJEPC

## 2.0 Background on US Tariff Imposition:

**2.1** As per the executive order issued by the US government, the annual U.S. goods trade deficits have grown by over 40% in the past 5 years alone, reaching \$1.2 trillion in 2024. On 2 April, 2025, President Donald Trump launched a significant tariff initiative on what he has called 'Liberation Day'. He imposed a baseline 10% reciprocal tariff on all nations, with higher tariffs specifically targeting countries where the U.S. has the largest trade deficits, marking his most extensive tariff action to date. These tariffs are in addition to existing ones, except for certain exceptions. For countries with existing tariffs and other non-monetary trade barriers, the U.S. is applying higher reciprocal tariffs, aimed at approximately 50% of the total impact of tariffs and non-tariff trade barriers against U.S. exports.

**2.2** This move coincides with the implementation of 25% tariffs on all foreign-made vehicles and select auto parts, set to take effect at 12:01 AM EDT on 5 April, 2025, as well as 25% 'secondary tariffs' on countries that purchase Venezuelan oil—measures that had been previously announced by the White House.

## 3.0 Addition Tariff imposed on India and Effective Date of Implementation of US Tariff<sup>1</sup>

**3.1** US intended to impose 26% additional tariff in case of India as per the Annex I to the Executive Order issued by the US government. The tariff was imposed as follows:

**3.2 Baseline Tariff:** The baseline 10% reciprocal tariff has been made effective from 5 April 2025.

**3.3 Additional Tariff on India:** Further the higher tariff rates, targeting USA's largest trading partners or those with which the U.S. has the highest trade deficit, were to be imposed on 9 April 2025. However, effective 12:01 a.m. eastern daylight time (EDT) on 10 April, 2025, the application of such additional tariff was formally suspended until 12:01 a.m. EDT on 9 July, 2025 vide Executive Order 14266 of 9 April, 2025<sup>2</sup>.

**3.4** It is pertinent to note that the baseline tariff rates shall apply with respect to goods entered for consumption, or withdrawn from warehouse for consumption, on or after 12:01 a.m. eastern daylight time (EDT) on 5 April, 2025, except that goods loaded onto a vessel at the port of loading and in transit on the final mode of transit before 12:01 a.m. eastern daylight time on 5 April, 2025, and entered for consumption or withdrawn from warehouse for consumption after 12:01 a.m. eastern daylight time on 5 April, 2025, shall not be subject to such additional duty.

**3.5** The rates of duty established by this order are in addition to any other duties, fees, taxes, exactions, or charges applicable to such imported articles

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<sup>1</sup> As per the Executive Order issued on 2 April 2025, the United States has one of the lowest simple average most-favored-nation (MFN) tariff rates in the world at 3.3%, while many of our key trading partners like Brazil (11.2%), China (7.5%), the European Union (5%), India (17%), and Vietnam (9.4%) have simple average MFN tariff rates that are significantly higher.

<sup>2</sup> <https://www.federalregister.gov/documents/2025/04/15/2025-06462/modifying-reciprocal-tariff-rates-to-reflect-trading-partner-retaliation-and-alignment>

**Note:** The IEEPA Order also contains modification authority, allowing President Trump to increase the tariff if trading partners retaliate or decrease the tariffs if trading partners take significant steps to remedy non- reciprocal trade arrangements and align with the United States on economic and national security matters.

#### 4.0 Exclusions:

##### 4.1 Some goods will not be subject to the Reciprocal Tariff. These include:

Sr. No.	Goods excluded	Remarks, if any
1.	Articles subject to 50 USC 1702(b)	<b>National Security &amp; Emergency Powers (50 USC 1702(b))</b> – Likely related to goods controlled under the International Emergency Economic Powers Act (IEEPA)
2.	Steel/aluminium articles and autos/auto parts already subject to Section 232 tariffs	<b>Existing Section 232 Tariffs</b> – Steel, aluminium, and auto- related products already covered by national security tariffs. Tariff at 25% on Steel / aluminium applicable from 12 March 2025. Tariff at 25% on auto/auto parts from 3 April 2025.
3.	Copper, pharmaceuticals, semiconductors, and lumber articles	<b>Specific Exempt Commodities – Annex II<sup>3</sup> of Executive Order</b>
4.	All articles that may become subject to future Section 232 tariffs	Goods that may later be included under these tariffs.
5.	Bullion	Likely referring to gold, silver, or other precious metals in raw form. – Refer Annex II of Executive Order
6.	Energy and other certain minerals that are not available in the United States	Resources not available in the U.S., possibly for supply chain security reasons.

<sup>3</sup> <https://www.whitehouse.gov/wp-content/uploads/2025/04/Annex-II.pdf>

## 5.0 Potential Mitigation of Tariff Impacts: GJEPC's Engagement and Emerging India–U.S. Trade Framework

Post imposition of such tariffs, GJEPC, recognizing the sector's significant contribution to India's economy, had engaged in high-level discussions with Indian government officials, including the Commerce Ministry and the Principal Secretary to the Prime Minister, to advocate for measures that would mitigate the tariff's impact. Key proposals included capping U.S. import duties on Indian jewellery at 10%, incorporating diamonds and colored gemstones into specific tariff exemption lists, and offering reciprocal concessions to the U.S. similar to those extended to the UAE under existing trade agreements. Additionally, GJEPC has extended its advocacy internationally, engaging with global industry leaders such as De Beers to seek broader support.

As on date, India and the United States have formalized the Terms of Reference for a Bilateral Trade Agreement (BTA), marking a significant advancement in their trade relations. Announced on 21 April, 2025, by U.S. Vice President JD Vance and Indian Prime Minister Narendra Modi, this agreement outlines a comprehensive roadmap for negotiations aimed at enhancing market access, reducing tariff and non-tariff barriers, and fostering a mutually beneficial partnership across multiple sectors.

This initiative has been built upon the groundwork laid during Prime Minister Modi's visit to the U.S. in February 2025, where both leaders launched the "U.S.-India COMPACT" to catalyze opportunities in military partnership, commerce, and technology. The United States, addressing a \$45.7 billion goods trade deficit with India in 2024, has welcomed India's recent tariff reductions and its willingness to further lower tariffs on U.S. products as part of the BTA negotiations. Both nations are committed to achieving initial outcomes within the year, reflecting a shared intent to deepen economic ties and address longstanding trade barriers.

## 6.0 High Level Comments:

The additional tariff as per the Executive Order of 2 April 2025 issued by the US Government would also exports to the US from India w.r.t the Gems and Jewellery sector at 26%. The only exception is with respect to bullion (gold / silver / platinum) as referred to in Annex II which covers items on which the additional tariff are not applicable. The overall implication in this respect and the mitigation measures needs to be understood by the G&J sector / stakeholders as US is one of the significant export markets for these products. Please note that the reciprocal tariff imposed by the US on imports from European Union is 20%, from UAE is 10%. Any exports from these regions would suffer a lower additional tariff as compared to exports from India.

Reference is also drawn to the GJEPC Publication<sup>4</sup> issued in March 2025 on USA Reciprocal Plan and Impact on Gold Jewellery Exports Threat or Opportunity, which provides an overview of the current trade position (Import / export) with the US, the impact on the sector, recommendations made by GJEPC and other aspects.

## 7.0 Scope and Limitations

This document is a summary of recent regulatory updates relevant to the Gems & Jewellery sector across various countries. The regulatory implications of foreign jurisdictions are based on our understanding of foreign laws as per the information available in public domain. The same needs to be

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<sup>4</sup> <https://gjepec.org/pdf/USA-Reciprocal-Tariff-Plan-and-Impact-on-Gold-Jewellery-Exports.pdf>

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This Newsflash provides an overview of regulatory updates in the Gems & Jewellery Sector from 1 Jan 2025 to 31 March 2025. It may be noted that nothing contained in this Newsflash should be regarded as our opinion and facts of each case will need to be analyzed to ascertain thereof and appropriate professional advice should be sought for applicability of legal provisions based on specific facts. We are not responsible for any liability arising from any statements or errors contained in this Newsflash.

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16 May 2025

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