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FAQs on Taxes & Related ISSUES

Dr. Suresh Surana, Founder, RSM India, answers readers' queries on various issues pertaining to taxes that need to be paid by the jewellers. Readers are encouraged to send in their questions and receive clarifications through this column.

I am an Individual and I am looking to sell some gold and silver jewellery that I inherited under a will from my parents. What shall I consider as the cost of acquisition while computing capital gains from sale of the jewellery.

As per section 49(1) of the Income Tax Act, 1961 in case of transfer of capital assets which were acquired under a gift or will, the cost of acquisition shall be the cost at which the previous owner had acquired the asset. Similarly, for the purpose of computing the period of holding to determine the nature of the capital asset, the period shall be considered from the date when the previous owner had acquired the asset.

In case the capital asset is long term, then the benefit of indexation will be available from the period when the assessee acquired the asset till the year of transfer. However, as per Bombay High Court's decision in case of Manjula J Shah, even for the purpose of indexation, the period shall be considered from the date when the previous owner had acquired the asset.

Thus, in accordance with the above, the cost of acquisition as well as the period for which such jewellery was held by the parents would be taken into account for the purpose of computation of capital gains.

We are a Domestic entity engaged in the business of Gems & Jewellery. On the auspicious occasion of Diwali, we have gifted branded watches to our employees. We would like to know the income tax implications in the hands of the employees and in the hands of the entity.

The value of Gift (Watches) shall be taxable in the hands of the employee as perquisites if the employee has received gifts of Rs. 5,000 or more in aggregate during the financial year from his employer. The value of gift will not be taxed if the aggregate value of gifts received is less than Rs. 5,000. For the entity, the value of gifts shall be allowed as employee welfare expenses and reduced while computing taxable income.

I am an Individual and I am looking to make investment in the Sovereign Gold Bond Scheme 2021-22. I wish to understand the Income Tax implications that may be attracted on the interest or maturity proceeds of the Bonds.

With regard to investments in Sovereign Gold Bonds (SGBs), income tax implications may arise at the point of earning interest and at the time of redemption / sale of SGB. SGBs bear interest at the rate of 2.5 % p.a. This interest is not exempt and thus, will be subject to Income Tax. The Gains arising on redemption / sale of SGBs are taxable as capital gains. However, as per section 47(viic), redemption of SGB held by an individual shall not be considered as transfer and consequently, exempt from tax. SGBs can be redeemed after the expiry of 8 years.

In case of sale of SGB to some other person, the gains will be subject to income tax depending on the period for which they were held by the individual. If they are transferred within three years, then the gains will be taxed at slab rates whereas if they are transferred after three years, then the gains will be taxed at the rate of 20% after availing the benefit of indexation.

We are a Domestic entity engaged in the business of Gems & Jewellery. We have come across that the Government has recently rolled out the Annual Information Statement for every taxpayer and Taxpayer Information Summary. Is there any new requirement on our part in relation to these new statements. What if there is variation between information displayed on our Form 26AS and the new Annual Information Statement?

The CBDT vide Press Release dated 01 November 2021 has rolled out the Annual Information Statement (AIS) and the Taxpayer Information Summary (TIS). The AIS will include information of the taxpayer relating to interest, dividend, securities transactions, mutual fund transactions, foreign remittance information etc. It includes information which is presently available with the Income Tax Department. Taxpayers can download this statement from the Compliance Portal. The Compliance Portal also provides a facility for submitting online feedback. This facility can be used in case the taxpayer feels that the information contained in the AIS is incorrect, pertains to some other year or person, or duplicate. The value reported in the AIS and the value after considering the Feedback submitted by the taxpayer will be shown separately.

The Taxpayer Information Summary (TIS) shows the aggregated value for the taxpayer for ease of filing return. TIS shows the processed value based on the information in the AIS. It also displays the derived value which is based on the information in the AIS as well as the feedback submitted by the taxpayer. Information in TIS can be used for pre-filling of Income Tax Returns (Not yet enabled). It is pertinent to note that the AIS may not report all the transactions of the taxpayer and it is the duty of the taxpayer to consider all information the information to report in their ITR.

It is pertinent to note that the taxpayers should, in case of variation in the AIS from Form 26AS, rely on the information in Form 26AS for purpose of ITR filing and other compliances.

I am an Individual and I have made certain investments in the Medium and Long Term Gold Deposits under the Gold Monetisation Scheme (GMS) 2015. I have discovered a better investment opportunity and wish to withdraw my investments from GMS before maturity. Can I withdraw the investments? Are there any exceptions to these rules. How much interest will be paid to me in case I withdraw before maturity?

Medium Term Gold Deposits (MTGD) and Long Term Gold Deposit (LTGD) are subject to lock-in period of 3 years and 5 years respectively. These deposits can be withdrawn only after the expiry of the lock-in period. However, there are 2 exceptions when the withdrawal can be made before the lock-in period as well:

a. Premature closure in case of death of depositor,
b. Premature closure due to default of loan taken against these deposits.

Interest on the deposits depends on whether the withdrawal is made on the above two grounds or otherwise. The following table shows the Interest paid on premature withdrawal of MTGD:

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Actual Period uptill which deposit is held	Interest Rate in case the withdrawal is due to (AR = Applicable Rate at the time of deposit)		
	Death of Depositor	Default of loan taken against deposit	Otherwise
Upto 6 months	No Interest	No Interest	Not Allowed
More than 6 months but less than 1 year	AR* – 1.25%	AR – 1.375%	Not Allowed
1 year or more but less than 2 years	AR – 1%	AR – 1.125%	Not Allowed
2 years or more but less than 3 years	AR – 0.75%	AR – 0.875%	Not Allowed
3 years or more but less than 5 years	AR – 0.25%	AR – 0.375%	AR – 0.375%
5 years or more but less than 7 years	AR – 0.125%	AR – 0.25%	AR – 0.25%

*AR – Applicable Rate

The following table shows the Interest paid on premature withdrawal of LTGD:

Actual Period uptill which deposit is held	Interest Rate in case the withdrawal is due to (AR = Applicable Rate at the time of deposit)		
	Death of Depositor	Default of loan taken against deposit	Otherwise
Upto 1 year	No Interest	No Interest	Not Allowed
More than 1 year but less than 2 years	AR – 1%	AR – 1.125%	Not Allowed
2 years or more but less than 3 years	AR – 0.75%	AR – 0.875%	Not Allowed
3 years or more but less than 5 years	AR – 0.25%	AR – 0.375%	Not Allowed
5 years or more but less than 7 years	AR – 0.125%	AR – 0.25%	AR – 0.25%
7 years or more but less than 12 years	AR – 0.25%	AR – 0.375%	AR – 0.375%
12 years or more but less than 15 years	AR – 0.125%	AR – 0.25%	AR – 0.25%

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