

Contents

	PAGE
About the Author	I-5
Preface	I-7
Chapter-heads	I-9
Introduction	I-21

1

HOW MUCH GOLD CAN YOU HOLD

1.1	Introduction	1
1.2	CBDT Instruction No. 1916, dated 11-5-1994	1
1.3	Application of Instruction No. 1916 to assessment ?	3
1.4	Some Case Studies	3
1.4-1	Gold found in limit to be treated as explained	3
1.4-2	Relaxation to be allowed from seizure and not from treating them unexplained	6
1.5	Broader Implications	10
◆	FAQs	12

2

SEARCH, SEIZURE & INCOME-TAX

2.1	Introduction	16
2.2	Appreciation in value cannot be a subject matter of addition	16

	PAGE
2.3 Search and Seizure Operations	18
2.4 Powers of Assessing Officer	20
2.5 Case Studies	21
2.5-1 Application of mind	21
2.5-2 Survey Converted to search	22
2.5-3 Other Case Laws	22
2.6 Penalty in cases of search	28
2.7 Common Queries	29
2.8 Documents to substantiate the holding	30
◆ FAQs	31

3

DIGITAL SEARCH

3.1 Introduction	36
3.2 Relevant provisions of Income-tax Act	37
3.2-1 Section 2	37
3.2-2 Section 132	37
3.2-3 Section 282	38
3.3 Two digital evidence cases	38
3.3-1 Case One	38
3.3-2 Case Two	39
◆ FAQs	41

4

GOLD MONETIZATION SCHEME

4.1 Introduction	43
4.2 Benefits	43
4.3 Objectives	44
4.4 New relevant Income-tax provisions	45

	PAGE
4.5 The process	45
4.6 Tax advantages	47
4.7 Comparison between old & new scheme	48
◆ FAQs	50

5

SOVEREIGN GOLD BONDS

5.1 Introduction	52
5.2 Why Sovereign Gold Bonds were issued?	52
5.3 GST Scare? Sovereign Gold Bonds to rescue	53
5.4 Buying the bond	53
5.5 Tax advantages	53
5.5-1 How redemption helps taxpayer?	54
5.5-2 How indexation helps taxpayer?	54
5.5-3 How there is no TDS?	55
5.6 Tax disadvantages	55
5.6-1 Interest is taxable	55
5.6-2 Selling in secondary market invites tax	55
5.7 Tips	56
◆ FAQs	57

6

UNDISCLOSED & UNEXPLAINED GOLD

6.1 Introduction	59
6.2 Section 69A	59
6.3 Section 69B	60
6.4 Some facts about section 69A & section 69B	60
6.5 Case law	61
6.5-1 Section 69A cases	61
6.5-2 Section 69B cases	63

	PAGE
6.6 Penalty	64
6.6-1 Penalty for unexplained income - Section 271AAC	64
6.6-2 Penalty - Search & undisclosed jewellery	66
6.7 Case law	67
6.7-1 Penalty cases on search & undisclosed jewellery	67
6.8 Immunity from penalty	68
6.9 Cash credits, Investment & expenditure	69
6.10 Section 68	69
6.11 Section 69	70
6.12 Section 69C	70
6.13 Some facts about section 68, section 69 & section 69C	71
6.14 Case law	71
6.14-1 Section 68 cases	71
6.14-2 Section 69 cases	73
6.14-3 Section 69C cases	74
6.15 Penalty cases on cash, investing & expenditure	74
6.16 Cash transactions & Gold	75
6.17 Gold & cash under Income tax Law	76
◆ FAQs	76

7

GOLD ETF

7.1 Introduction	79
7.2 Taxation of Gold ETF's	80
7.3 Gold ETF's tax drawback	80
7.4 Comparison with Sovereign Gold Bonds	82
7.5 Tips for Gold ETF's	82
◆ FAQs	83

8 GOLD COINS

8.1	Introduction	85
8.2	Taxation of gift of gold coins	85
8.3	Taxation of capital gains from gold coins	86
8.4	How to save tax on gold & silver coins	86
8.5	Case law	87
8.6	Are gold coins seized, if quantity is okay	88
8.7	Two sides of same coin	89
◆	FAQs	91

9 CAPITAL GAINS TAX

9.1	Introduction	94
9.2	Short-term capital gains tax on gold	94
9.3	Long-term capital gains tax on gold	95
9.4	Benefits of indexation	95
9.5	Fair Market Value (FMV)	96
9.6	Deductible expenses	97
9.7	Tax exemptions	98
	9.7-1 Section 54EE	98
	9.7-2 Section 54F	98
9.8	Personal effects	99
9.9	Case law	101
	9.9-1 HUF use is also personal	101
	9.9-2 No need to prove owned gold, to sell it	102
9.10	Gold sale or undisclosed income ?	103
9.11	Diamonds studded in gold jewellery	103

	PAGE
9.12 Electronic Gold Receipts	104
◆ FAQs	105

10

VALUATION OF GOLD

10.1 Introduction	110
10.2 When is valuation done?	111
10.2-1 Section 55A	111
10.2-2 Section 142A	112
10.3 Stones valuation is not required every year	113
10.4 Board circular	113
10.5 What about precious stones ?	114
10.6 Case law	115
10.6-1 Avoid mistakes in gold valuation	115
10.7 Tips	119
◆ FAQs	127

11

TRADERS & GOLD

11.1 Introduction	130
11.2 Books of account	131
11.3 Cases	132
11.3-1 How to keep accounts?	132
◆ FAQs	143

12

INHERITING GOLD

12.1 Introduction	149
12.2 Changing base year has benefited assessee	150

	PAGE
12.3 Case Laws	<i>151</i>
12.3-1 AO is not handwriting expert	<i>151</i>
12.3-2 Joint family gave gold ornaments	<i>151</i>
12.3-3 Inherited jewellery may not appear in balance sheet	<i>152</i>
12.3-4 Polishing proved inherited jewellery	<i>152</i>
12.3-5 Status of family has to be considered	<i>152</i>
12.3-6 Baseless reasoning	<i>153</i>
12.3-7 Family settlement is equal to inheritance	<i>153</i>
12.3-8 Cases in favour of revenue	<i>153</i>
12.4 Ways to prove gold is inherited	<i>155</i>
◆ FAQs	<i>156</i>

13

GOLD & SILVER UTENSILS

13.1 Introduction	<i>158</i>
13.2 Utensils must be personal effects, to avoid tax	<i>160</i>
13.3 Utensils must be reasonable in number	<i>161</i>
13.4 Daily use may be waived off	<i>161</i>
13.5 CBDT instruction covers utensils	<i>163</i>
13.6 Where gold & silver utensils were not spared	<i>163</i>
13.7 Tips	<i>165</i>
◆ FAQs	<i>165</i>

14

STRIDHAN

14.1 Introduction	<i>167</i>
14.2 Stri's dhan	<i>167</i>
14.3 What stridhan consists of?	<i>169</i>
14.4 How does income-tax treat stridhan?	<i>169</i>
14.5 Where stridhan case was lost?	<i>173</i>

	PAGE
14.6 CBDT instruction does not hit stridhan	173
◆ FAQs	175

15

GOLD & GST

15.1 Introduction	176
15.2 Previous taxes axed	176
15.3 GST on gold making charges	177
15.4 When customer sells gold jewellery	178
15.5 Exchange of jewellery & GST	179
15.6 Repair of jewellery & GST	179
15.7 Karigar charge & GST	179
15.8 Gifts alongwith jewellery & GST	179
15.9 Jewellery or watch	180
15.10 GST, traders & cases	181
◆ FAQs	189

16

GST & GOLD TRADERS

16.1 Introduction	194
16.2 A big tax reform	194
16.3 Gold trader registration	195
16.4 Relevant GST principles	196
16.4-1 Supply	197
16.4-2 Composition scheme	197
16.4-3 Input Tax Credit (ITC)	197
16.4-4 Reverse charge	198
16.4-5 Job worker services	198
16.5 Import incentives	199
16.6 Some more GST & gold facts	200
16.6-1 HSN Meaning	200

	PAGE
16.6-2 Gold Price & GST	200
16.6-3 Instalment Schemes	200
16.6-4 Material and Labour	201
16.6-5 Exchange	201
16.6-6 Hallmarking charges	201
16.7 Registered customer	202
16.7-1 Where both are important supplies	202
16.7-2 Place	202
16.7-3 Input tax credit & goods given to job worker	203
16.7-4 No TDS	203
16.7-5 Free gifts	203
16.7-6 Copper added	203
16.7-7 GST refund	204
16.7-8 Transitional provisions	204
16.7-9 Anti-Profitteering	204
16.7-10 Wastage allowance	204
16.8 Jewellery bag and jewellery box and GST	205
16.8-1 Jewellery box	205
◆ FAQs	205

APPENDICES

Appendix 1 : Historical Gold and Silver Rates	213
Appendix 2 : Cost Inflation Index for Gold, sold after 1-4-2017, notified by CBDT on 12-6-2023 for financial year 2001-02 and subsequent years	216
Appendix 3 : GST Tariff	217
Appendix 4 : ◆ GST forms for Gold traders	232
◆ Specialized GST forms for gold traders	234
◆ GST forms automatically generated after filling form	234