

VAT Exemption on Rough Stones, A New Supporting Measure from Government

GIT Information Center

The Gem and Jewelry Institute of Thailand (Public Organization)

Thai government adjusted the structure of import duty on rough stones to increase competitiveness of Thai gem and jewelry industry. In an attempt to promote Thailand as an international gem and jewelry trading center, it has announced value-added tax (VAT) exemption on importation of rough stones.

Challenges Are All Around

Today gemstone deposits in Thailand are being exhausted to the point that they cannot supply enough raw materials into the market. As a result, these essential materials in Thai gem and jewelry industry are acquired from another main channel – being imported by foreigners, especially individuals who personally bring rough stones with them. This has become the shortcut for Thai entrepreneurs in the upstream industry, especially small businesses which have some limitations on purchasing raw materials directly from supplying countries. However, now that those countries, like Madagascar, have adopted a new policy to encourage value adding to raw materials, requiring all rough stones to be locally polished or go through value adding process before being exported, Thailand has to suffer from constant shortage of supply. Moreover, measures which help facilitate trading transactions in competing countries like Hong Kong are a main factor which attracts foreign traders to sell their supply in those countries. In Thailand, although there is no import duty on rough stones, customs declaration is still required, including payment of other relevant taxes, such as value-added tax, which is collected immediately at the border checkpoint and is non-refundable even if the stones are brought back without being distributed. Therefore, many foreign traders bring their stones to other countries to avoid tax burden. As a result, Thai gem and jewelry industry loses its opportunity to purchase raw materials in the country, and some entrepreneurs need to bear more cost from travelling abroad to purchase these rough stones. Above all, it slows down Thailand's target to become the major international gem and jewelry trading center.

Supporting Measures from the Government

Thai government has always recognized the necessity of overcoming these obstacles to industry development. Supporting measures are adopted to gradually improve and loosen these restrictions. For an example, in case that there is no commercial invoice, the special customs import entry form is issued as a substitute in the import and income tax payment procedures. Foreign traders are also allowed to apply for work permits on Saturday,

especially in major trading centers like Chantaburi province, where colored stone market opens on Friday and Saturday. In addition, foreigners can conduct gemstone trading and stay in Thailand for not more than 15 days without work permits. However, they need to report to the Department of Employment using the specified form which can be submitted through facsimile.

Recently the government has announced VAT exemption on rough stones imported for selling, or the sale of rough stones, to individual importers or sellers until December 31, 2011. Colored stones under this new regulation are ruby, emerald, yellow sapphire, garnet, opal, onyx, zircon, chrysoberyl, jade and others which must be uncut, while synthetic or reconstructed colored stone, diamond, pearl, and synthetic or reconstructed diamond or pearl are not included. The VAT is replaced by 1% withholding tax, and the assessable income from these rough stone selling does not have to be calculated in personal income tax payment. The import receiving this privilege must not be on the purpose of being utilized in the importer's business, or for polishing or manufacturing of jewelry and other related products as a contractor.

The Gem and Jewelry Institute of Thailand (Public Organization) or GIT is one of the government agencies in the form of public organization under the Ministry of Commerce. Its main mission is to develop, promote and support Thai gem and jewelry industry to increase its competitiveness in the world market. The institute collaborates with Thai Gem and Jewelry Traders Association, as well as other related public and private organizations to make a strong commitment in accomplishing this task and helping Thailand to become the world's important gem and jewelry trading center.