

## GST may dampen gold demand: WGC

Losing sheen: A move to ban cash transactions more than 2,00,000 from April 1 may hurt gold demand in rural areas.

A hike in taxes on gold sales in India could pressure short-term demand from the world's No.2 consumer of the metal, the World Gold Council (WGC) said in a report.

Faltering appetite in a country where gold is used in everything from investment to wedding gifts could drag further on global prices, already trading near their lowest level in 7-weeks.

"In the short-term at least, we believe (the tax) may pose challenges for the industry. Small-scale artisans and retailers with varying degrees of tax compliance may struggle to adapt," the WGC said in a report published on Thursday.

As part of a new nationwide sales tax regime that kicked in on July 1, the Goods and Services Tax (GST) on gold has jumped to 3% from 1.2% previously.

### Smuggled gold

There have been fears the tax increase could stoke under-the-counter buying and drive up appetite for precious metal smuggled into India, where millions of people store chunks of their wealth in bullion and jewellery.

Meanwhile, the WGC also said a government move to ban cash transactions more than 200,000 (\$3,090) from April 1 could hurt gold demand in rural areas where farmers often purchase the metal using cash. Two-thirds of gold demand comes from rural areas.

"(The transactions rule's) potential impact isn't entirely clear: it could curb gold purchases; it could encourage gold shoppers to buy smaller amounts of gold spread over more transactions; or it could push a large part of demand underground and encourage a black market in gold," said the WGC.

The group kept its demand estimate for India at 650 to 750 tonnes for 2017, well below average annual demand of 846 tonnes in the past five years.

"But for the medium term, we see a very solid track ahead for the Indian economy," Lagarde said to a question on India.

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