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PROLETARIAN POWER

PEACE, PROSPERITY AND JUSTICE ... FOR ALL

20th September, 2023.

To

The Finance Minister,
Government of India,
134/North Block,
New Delhi 110001

Honourable Finance Minister Smt.Nirmala Sitharaman ji,

Sub: Tracking Gold imports - Reg.

India imports about 900 tons of gold each year and spends about 50 Billion US Dollars to meet this demand. As far as we know the government has no control over these imports and it does not seem to have any idea about the ultimate consumer of this gold. To put things in perspective it may be worth mentioning that India's imports are around 25% of gold produced by the world. Generally we are the no.1 importer of gold. Considering that this is putting a heavy burden on our precious foreign exchange resources we wrote earlier a couple of times requesting the Government to get to the bottom of this problem. We never received any response. We now would like to put forward our plan to find who is actually buying this gold and whether they are buying it with 'tax paid' money. Let us first broadly examine the bullion industry in India and different players involved in it so that we can develop an appropriate mechanism to contain this menace.

From the publicly available data we understand that India imported 1003.47 tons of gold during the calendar year 2021. The major segments of consumption are as under:

- Jewellery - 610.09 tons
- Bar and Coins - 186.50 tons
- Reserve bank of India - 77 tons
- Gold ETFs - 38.00 tons.

(Source : World Gold Council)

We further understand that industry, particularly the electronics industry, consumes some small quantities of gold, relatively speaking. We do not have any authentic data about this segment. There are some miscellaneous consumers like dentistry too. But their demand is insignificant we guess.

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Now, our suggestion in this regard is -

1. Create a special agency like NSDL/CDSL either under the Ministry of Finance or under the Ministry of Commerce.
2. Every player in the Bullion Market viz., Importers/Exporters, Refiners, Banks dealing with gold, Trading Houses, and Jewellers etc., should register with the above Designated Agency.
3. Each category has to maintain prescribed records and submit/file prescribed reports periodically to this Designated Agency.
4. To remove hardship to the small jewellers, the government/Designated Agency may exempt small jewellers who buy (buy not sell) less than a certain quantity of gold (say, 10/20 Kg of gold) in a financial year from maintaining the prescribed records and filing the prescribed periodical reports. We wish to clarify here that such small jewellers are exempted from maintaining the records and filing the periodical reports but not from the registration with the Designated Agency. Thus all players in the Bullion Market, small or big, should be registered with the Designated Agency without which they can not buy/deal in gold.
5. It is the responsibility of each player to know who they are dealing with. Particularly when it comes to jewellers, they should verify and record the identity of the customer who they are dealing with (something like KYC).
6. While dealing in gold in cash is permissible up to Rs.2 Laks at present such transactions are reported separately.
7. Further I understand that about 70 Crore Indians are already registered with Central KYC Registration Authority (Source: cersai.org.in). The Designated Agency may be given access to this database.
8. To prevent frauds, Designated Agency may be enabled to check whether the gold buyer is from below-the-poverty-line group availing 'social welfare' benefits like Rs.1 per Kg of rice (in Telangana). For this the Designated Agency may have to coordinate with respective State Governments.

We believe when such a mechanism is in place the government will be in a position to track almost 80% to 90% of the imported gold.

The above idea is for your perusal.

Thank you,

Yours truly,



(Chandra Sekhar Gupta Boggarapu)

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2. The Governor, Reserve Bank of India, Shahid Bhagat Singh Road, Fort, Mumbai 400001.
3. The Chairman, Central Board of Direct Taxes, Ministry of Finance, North Block, New Delhi - 110001.

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