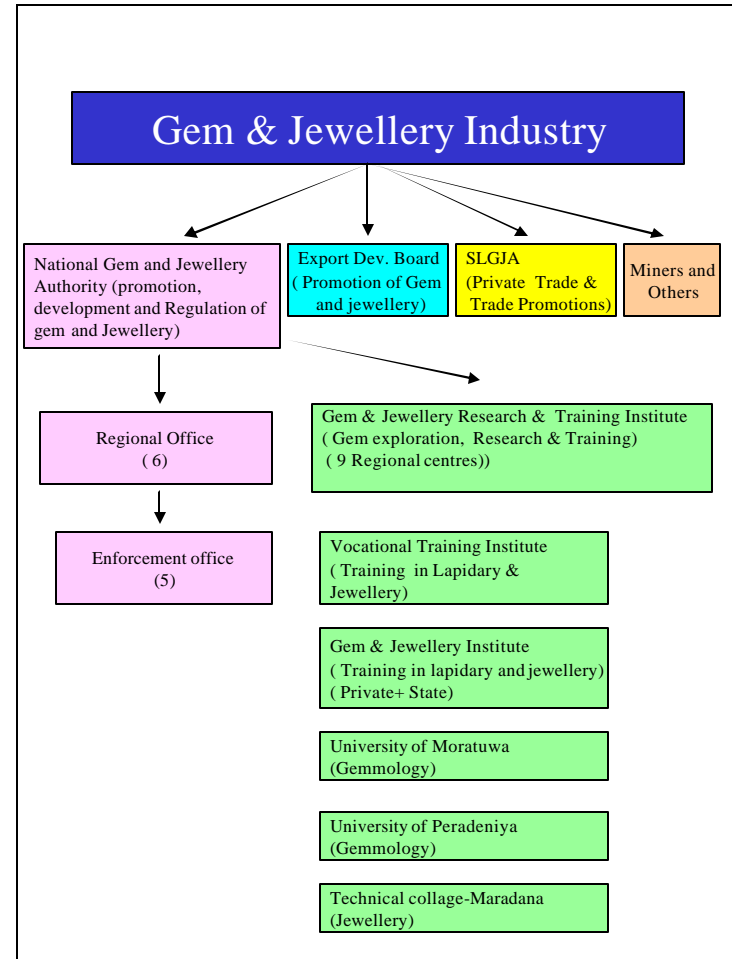


Legal, Fiscal, Institutional and Infrastructural aspects of the gem industry

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Training personnel per year

- Gem cutting – 150
- Gemmology – 120
- Jewellery Design – 60
- Jewellery manufacturing – 150
- Stone setting – 30

Total - 500

Evolution of Legislature

- In ancient Sri Lanka(Ceylon) precious gems found in the soil belonged to the king
- **1890, The gemming ordinance No.5** was passed to issue licences to private lands
- For Crown lands- power was reserved to the governor to make rules
- **Gazette 08.05.1891**- rules were made for the,
 1. Appointment of inspector of mines
 2. The inspection of mines
 3. To Prohibit person under 18 yrs in mines
 4. Protection of lives by fencing the mines
- **Gazette 20.04.1900**- was issued announcing the need of licences to mine in Crown lands
 1. Exploration license – surface only, no digging
 2. Prospecting license – To mine and pay royalties

- **Gazette 09.02.1912** – previous gazette was repealed as royalties were not paid
- 1919 special committee was appointed– but recommendations were not implemented
- **1971, State Gem Corporation (SGC)** was established on Act of Parliament
Objectives:
Promotion & Development Skill development ,
Regulation & control, Involve in local & foreign sales
- **1993, National Gem and Jewellery Authority (NGJA)** was established on Act of Parliament :

Objectives :
Same as that of SGC except trading in gems

Fiscal Policies of the gem trade

(a) Rough Gem Exports

- Only heat treatable gemstones are allowed to be exported in rough forms.
- The exclusive rights, Thai nationals had for the export of rough gems under the inter-governmental agreement since 1980 was annulled in 1993.

(b) Duty free Imports

- Pearl, Rough gems, Cut & Polished gems, Diamond, synthetics
- Gold and Silver (All forms)
- Tools, Machinery & Equipment used in the Gem & Jewellery industry

(c) VAT exempted from

- Pearl, Rough gems, Cut & Polished gems, Diamond, Synthetics
- Gold and Silver (All forms)

(d) Income Tax free

Supply of gems, export of gems and jewellery

How to start a gem mine

- One should have at least 2/3 of a share in a land or
- Lease out a land from a private party
- Lease out the right to gem mine from gem land auctions held by the NGJA (It could be a crown land or a section of a river) for one year
- No exploration licenses are issued
- Submit the application to NGJA H/O or a regional office

- If the ownership is clear, a license will be issued in 2-3 weeks
- If the ownership has come due to a partition case in a court of law, a license will be issued within a day or two.
- Depending on the infrastructure around the land, special conditions may be laid down (i.e. Roads, bridges, buildings etc)
- Generally 5 pits are allowed, but can go up to 10.

- Apart from license fee, always there is a security deposit for the restoration of the land

License fee- Rs 1000 (US10)

Refundable Security Deposit/pit-

Rs 1000 (size 2 x 4 m for
timbered pit)

Different rates for open cast mines,
depending on the size and depth

Deposit is refunded if the lands are restored

- NGJA has established a fund out of monies not refunded and used for restoration of mined out lands

- The use of machinery such as backhoes and bulldozers (and gravel pumps in rivers) are allowed in special circumstances only

(i.e where the land has been previously mined, and digging pit is not economical or gem gravel is not rich in gems, or in deep cavities in the rivers which cannot be reached by long poled mammoties)

License fee – Rs 5000

Refundable Security deposit-Rs 25,000

Deposit for gravel pumps – Rs 100,000

- No large scale mechanized mining is allowed.

- large scale mechanized mining is not allowed.
- Women are (traditionally) not engaged in gem mining. But they may work in other surface mining, but never underground
- A fairly large number of women are employed in Gem cutting, jewellery designing and sales
- The Mines & Minerals Act of 1992, prevents children under 18 being employed in mining. Since mining licenses are annually renewed, GSMB make sure, terms and conditions are strictly adhered to.
- Children may work on their own in near surface illicit gem pits, but adults would not generally employ them

- Apart from the purchase price, One has to pay all the other dues like in a private land
- Such land may be re-auctioned again if there is a demand
- Sale of rough may be done as the miner wish, and pay 1% of the sale price to the NGJA to go income tax free
- Mining rights (for one year) of Crown lands, rivers etc are auctioned regularly by the NGJA
- Auction proceeds- 60 /40 – NGJA/ company which has leased out plantation land (on account of rehabilitation- Minerals including Gems belong to the state)
- In case of crown lands, 100% to the NGJA
- About 20% of mining may be illicit (In river beds, forest reservations, wild life reservations road & river reservations

**Mode of distribution of proceeds from
the sale of rough gems**

	Rs.	Rs.
	(Balance)	
Sales proceeds (assumed)	Rs. 1,000,000	
1% Government Tax		10,000
	990,000	
3% for charity (<i>Tharawwa</i>)		29,700
	970,300	
20% for land owner/s		194,060
	776,240	
10% for water pump owner		77,624
	698,616	
Capital Expenditure (assumed)		38,616
Amount to be shared between Financial and working shareholders is 660,000		
If ten miners are working, total number of whole shares = 10 + 1 =11		
(Full share for the manager)		

If ten miners are working total
Number of full shares = 10 + 1 =11
(Full share for the manager)

Amount per whole share	660,000/11	60,000
Half share for a miner		30,000
Half share for a financial share holder		30,000

(i.e. A miner receives about 3% of the sales proceeds as his share)

- $\frac{1}{2}$ the *Tharawwa* is given to charities and the rest is for the head of the gang.
- The above mode of distribution has been evolved through years of mining and not by legislature.
- Slightly vary in different areas

- Miners are paid a weekly allowance of about Rs 200 – 300
- They receive about 2.5 to 3.5 of sales proceeds
- An insurance scheme was launched in 1996 with Mine operators contributing Rs 10/miner. Two years later it Was abandoned as (1) the claims were less than 5% as compared to the subscription (2) Mine operators complained about extra cost (3) fatal accidents were so rare (mostly in illicit mines) (3) even minor accidents were rare (4) Mine operators attend to the needs of miners as and when necessary

Licenses for gem industry - 2003

Gem mining	3702
Lapidary	255
Gem dealers	2917
Gem land auctions	486 (no of blocks)

Employment in the Gem and Jewellery industry

Description	official	Unofficial	Total
Gemming	85,000	20,000	105,000
Lapidary	20,000	10,000	30,000
Dealers	3,000	5,000	8,000
Heat treaters	200	100	300
Jewellery manufacturers	18,000	5,000	23,000
Gemmologists	350	-	350
Total	126,550	40,100	166,650



