

# A GOLDEN OPPORTUNITY!

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It was while shopping for jewellery for my wedding last year that I realised just how much of the gold in the glitzy, gilded shops are possibly smuggled.

I learned that sometimes you can tell by looking. The ones being made here inside the country have a gaudy high sheen. The ones coming in from abroad (like the Middle East or India) give off a stately, muted glow. A newbie like me did not know that at first of course—but I kept veering towards the latter, and the sales people quickly realised I have a taste for smuggled gold.

"Apa, let me show you something truly exclusive, we got it from India. Our local artisans cannot make such things," a salesperson said handing me an utterly gorgeous jewellery set with ornate *meena-kari* work. "And here's another one of the latest fashion, also from India," he went on, handing a many stringed neckpiece lined with *kundan* pendants.

Ask any government official from customs or the tax department and they would tell you that there has been very little to no gold imports in the country in years. But the demand in the local market is around 40 metric tonnes according to the Gold Policy, 2018. Some of this

consists of recycled gold. But then there are new impressionable brides-to-be (like me, last year) who are easily attracted by jewellery of the latest new-fangled Bollywood design that our local artisans are yet to catch up on, and it is to cater to us, that the businesses choose the black.

"Every year the demand for new gold is around 18 to 36 metric tons, and the lion's share of this cannot be fulfilled by legally imported gold, we believe," the Gold Policy 2018 states.

The jewellery retailers believe it too. It's an open secret. Such an open secret that this week, the government held a fair where jewellers could wash their black wealth.

Held at the premises of Hotel Intercontinental, the fair was equipped with all the things needed to turn black gold white: counters by all the tax zones, a stall with a machine to appraise the true value of gold, and booths of Sonali Bank and Basic Bank where tellers sat behind high desks. Friends greeted long-lost friends, shaking hands heavy with chunky gold rings. Crowds of jewellers thronged at the booths to disclose their wealth, many discovering for the first time just how much undeclared wealth they have amassed.

"Last year I declared my net worth to be around Tk 3 lakh. This year when the undisclosed gold was taken into consideration, the tax officers said my net worth is

Conversations flowed widely about how to whiten black wealth.

"I have undisclosed cash money. What do I do about that?" one small-scale jeweller asked the suited man.

"Convert that into gold and then declare the gold," was the reply. It is that easy to wash black money at the fair.

**Only carrots, no sticks**

While tax evasion may be a crime elsewhere, in this time and space, it is accepted with the lightest pull of the ear.

All the jewellers needed to do is pay Tk 1,000 per *bhori* of gold as income tax. In addition, diamonds could be laundered for Tk 6,000 per *bhori*.

A tax of Tk 1,000 per *bhori* where the market price of one *bhori* of gold is Tk 48,000 means they are being taxed at a rate of two percent. To put into perspective, a person earning as little as Tk 34,000 per month (which is less than the price of even a single *bhori*) has to pay income tax at a rate of 10 percent.

Even at that rate, the three-day fair raised a total of Tk 175 crore in taxes.

"I have given Tk 4.5 crore in income taxes today," said Ganga Charan Malakar, the president of Bangladesh Jewellers Samity and the owner of Venus Jewellers on the first day of the fair. On the other hand, the Samity's vice-president, and the owner of Alankar Niketon, M.A. Hannan Azad, stated that he will declaring 15,000 *bhori* of gold. That roughly comes up to

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around Tk 24 lakhs," said the proprietor of Rittika Jewellers, a store in Tantibazaar. He stared at the figure written on his tax form in disbelief—in a sector where tax evasion has been practiced so widely that the government had to incentivise tax payment, many do not even know their net worth.

Many small to medium-scale jewellers were filling out an income tax form for the first time in their lives and did not know how to do it. They peered over the shoulders of a more experienced suit-wearing jeweller, as he filled out a form.

The word "smuggled" or "black" were not being used. Instead the participants of the fair preferred the term, "undeclared".

Tk 1.5 crores in income tax.

When asked why tax evasion charges were not pressed, Kalipad Halder, NBR's Member in charge of Tax Admin and Human Resource Management says, "This was an informal industry. We are trying to formalise it. Getting them to pay their taxes is a good thing. Any money is good money."

The same question was asked to an NBR high official, who declined to be named. "Why are you bringing up the past? We need to focus on the future," he says.

There is more. The jewellers are only charged an income tax. A high official inside the customs department who requested to be unnamed, questioned why they are not being charged duty for

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the gold.

"Gold is a product, and its import has a duty attached to it. If they are smuggling gold into the country, they should be charged an import duty," he says.

NBR however claims that doing that would be difficult. "They do not keep paperwork of their wealth. They do not log how much gold is being bought and sold," claims Kalipad Halder.

This seems slightly odd because the gold industry hugely celebrates the Haalkhata Utshob, festival for bookkeeping held on Bangla New Year every year. Invitations are sent out to clients and customers to join in the festival where old accounts books are closed, and a new account book is opened.

Of course, the jewellers themselves deny that they ever bring in gold illegally, so paying duty is out of the question.

"All the gold I own is from stocks I inherited," says Hannan, the proprietor of Alankar Niketon. He is also the president of Bangladesh Podder Samity, the association of traders who source gold, and supply it to retailers.

Why is it all undeclared then? "Say you have a gold necklace that you inherited from your family, that you really need to sell, but you do not have a receipt. Would I not buy it from you? In addition, most of our gold ornaments comes through the baggage route," he adds. He was referring to the provision that allows passengers to bring in gold ornaments weighing up to 100 grams as personal effects.

Customs officials believe that argument does not stand. "Even if the jewellers want to buy gold coming in through the

baggage route, they need to make the customer pay a duty at the local tax office, before buying it. When a golden ornament is declared as a personal object, it cannot be sold commercially," says a high official of the customs department who requested anonymity.

Customs intelligence officials also claim that for many, transporting gold through the baggage route has become a business. "When investigating into Apan Jewellers in 2017, we found that they were sourcing their raw materials from the same few people who were bringing in gold through the baggage route. For example, one person had made over 20 trips abroad, and brought in gold for Apan Jewellers," one of the officials investigating into the jewellery house informs this correspondent.

**Why is the government washing gold?** As of filing this report, no official figure was provided of the amount of gold laundered at the fair. So, we have to play with estimates. Say no diamonds and silver were legalised at the fair, people just brought in gold to wash. Calculating from the amount of money raised as income tax in the three days—Tk 175 crore—it would mean 17.5 lakh *bhori* of undeclared gold was legalised at the fair. If you are trying to visualise, that is approximately 20,300 kilograms of gold. If diamonds are put into the mix, the haul would weigh a little less, but still around the same ballpark.

On the flipside, only 167.25 kilograms of gold being smuggled through the airport were stopped by the Customs Intelligence and Investigations Directorate, in the last six months, according to data provided by the department.

"Only about 10 percent of the gold being smuggled into the industry can be caught by the customs intelligence," says an executive working at Dhaka Pearl House. "The gold goes directly to Tantibazaar and Baitul Mukarram markets, and we retailers get the gold from them." And in a country where scores of migrant labourers fly in and out every day, finding gold mules to hide gold inside their rectum or inside their stomach, is an easy task, customs officials believe.

Previous investigations have proven that government agencies themselves are involved with the smuggling trade. In 2014, an investigation into a haul of 124 kilograms of gold pointed fingers at Biman Bangladesh's engineers as the only people who would be able to get



PHOTO: STAR

out smuggled gold. The investigation also pointed fingers at Civil Aviation Authority of Bangladesh and customs.

As one jewellery proprietor said, "I don't smuggle gold. The government's people do. I simply buy it."