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New SIT proposals on black money to hit luxury sector

By [Anumecha Chaturvedi](#), ET Bureau | Updated: Jul 16, 2016, 05.09 PM IST

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NEW DELHI: Sale of luxury goods in India, walloped by regulations like mandatory Permanent Account Number card identification, could be in for another hit if the recommendations of the Special Investigation Team (SIT) on **black money** are implemented, industry executives said.

The SIT, in its report to the Supreme Court on methods to curb black money, has recommended a ban on cash transactions of above Rs 3 lakh and restricting cash holding with individuals to not more than Rs 15 lakh.

Yasho Saboo, president of the All-India Federation of Horological Industries, a watchmaker's body, said the move is good for the economy but it will hit sales of luxury goods.

"It will definitely have a short-term negative impact on sales, but it is good for the economy in the long term," Saboo said. "However, the government should also ensure that this does not encourage cash transactions overseas and does not lead to smuggling of watches. There will be discussions on this, but if the government is resolute on this front, these regulations will move in in some form or the other."



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According to [Euromonitor International](#), the Indian luxury goods market could touch Rs 39,000 crore by 2020, from Rs 16,300 crore in 2015, with an annual growth of 19 per cent.

Saboo, whose company Ethos sells watches from brands like [Rolex](#), Breguet, and Carl F Bucherer, had earlier told ET that business for Ethos fell by 25-30 per cent in March over the previous quarter for products above Rs 10 lakh owing to new regulations like mandatory PAN card identification for transactions above Rs 2 lakh.

Another luxury watch retailer said sales are likely to crash with such a move being put in place.

The watchmaker's body had earlier sent a presentation to the government seeking clarity on the rule and simpler compliance procedures.

Paresh Parekh, partner at EY, said over the past two months, the luxury market has been severely hit and the move is likely to impact segments like jewellery further.

"There should not be a blanket ban and the government has to take into account the nature of businesses and access to banking facilities before such regulations. For instance, farmers and small enterprise owners may be dealing in a lot of cash transactions and may not have adequate access to banking facilities," he said.

The country head of an international luxury brand said the proposals, if implemented, will especially hit the bridal couture and the interiors segments, which see a lot of cash transactions.

"This means flight of capital and will encourage Indians to buy overseas," said another retailer of luxury apparels and accessories.

However, Arvind Singhal, chairman of Technopak Advisors, said, "The government is already keeping a strict vigil through big data on high-value transactions in auto, watches, jewellery and luxury holidays and correlating it to income tax returns. There is already pressure and a sense of fear and I do not think this is likely to impact the market any further."

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