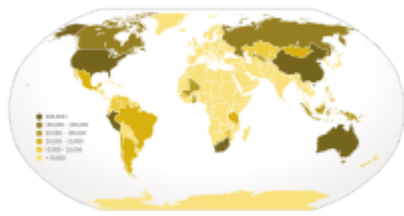


# The Gold (Control) Act, 1968

**The Gold (Control) Act, 1968** is a repealed Act of the Parliament of India which was enacted to control sale and holding of gold in personal possession. High demand for gold in India with negligible indigenous production results in gold imports, leading to drastic devaluation of the Indian rupee and depletion of foreign exchange reserves to alarming levels. Devaluation of the Indian rupee also leads to steep rises in food commodity prices due to costlier petroleum products imports. In these circumstances, the gold import policy of India aimed at curbing the gold imports to a manageable level time to time by imposing taxes and legal restrictions.



World gold output (in kilograms)

## Contents

### Gold Control Act

### Crisis hedge not inflation hedge

### Current policy

### See also

### References

### Further reading

## Gold Control Act

Post-Independence, the foreign exchange drain was accentuated in 1962 during the border dispute with China. Morarji Desai, then finance minister, came out with Gold Control Act, 1962, which recalled all gold loans given by banks and banned forward trading in gold. In 1963, the production of gold jewellery above 14 carat fineness was banned. In 1965, a gold bond scheme was launched with tax immunity for unaccounted wealth. All these steps failed to yield the desired result. Desai finally introduced the Gold Control Act, on 24 August 1968, which prohibited citizens from owning gold in the form of bars and coins. All existing holding of gold coins and bars had to be converted to jewellery and declared to the authorities. Goldsmiths were not allowed to own more than 100 g of gold. Licensed dealers were not supposed to own more than 2 kg of gold, depending upon the number of artisans employed by them. They were banned from trading with each other. Desai believed that Indians would respond positively to these steps and stop consuming gold and help conserve precious foreign exchange. New gold jewellery purchases were either recycled or smuggled gold. This legislation killed the official gold

### The Gold (Control) Act, 1968



सत्यमेव जयते

Parliament of India

#### Long title

An Act to regulate gold transactions.

**Citation**      Act No. 45 of 1968  
(<http://lawmin.nic.in/legislative/textofcentralacts/1968.pdf>)

**Territorial extent**      India

**Assented to**      12 June 2006

**Commenced**      1 September 1968

**Repealed**      6 June 1990

#### Repeals

The Gold (Control) Repeal Act, 1990 (Act No. 18 of 1990) (<http://www.theindianlawyer.in/statutesnbareacts/acts/g15.html>)

**Status:** Repealed

market and a large unofficial market sprung up dealing in cash only. The gold was smuggled in and sold through the unofficial channel wherein, many jewellers and bullion traders traded in smuggled gold. A huge black market developed for gold. Gold Smith were unorganised labour force and could not cope with the new developed situation. Only a few could get the licence to hold the gold, that also in very small quantity, with the result that the members of the Sunar caste, who were depending only on their traditional occupation of making gold ornaments, lost their business and their financial condition deteriorated and families shattered.

In 1990, India had a major foreign exchange problems and was on verge of default on external liabilities. The Indian Government pledged 40 tons gold from their reserves with the Bank of England and saved the day. Subsequently, India embarked upon the path of economic liberalization. The era of licensing was gradually dissolved. The gold market also benefited because the government abolished the 1962 Gold Control Act on 6 June 1990.<sup>[2]</sup> by Finance Minister Madhu Dandvate and liberalized the gold import into India on payment of a duty of Rs.250 per ten grams. The government thought it more prudent to allow free imports and earn the taxes rather than to lose it all to unofficial channel.<sup>[3]</sup>

From official imports of practically nothing in 1991, India officially imported more than 110 tonnes of gold in 1992, which now stands about 800 tonnes in a year.

In September 1999, the Govt. of India launched a Gold Deposit Scheme to utilize the idle gold and simultaneously give a return to gold owners and reduce the country's reliance on imports. However, this plan was not widely accepted by the population.

Gold ETFs are also operating in India from March 2007. Alarmed by the excessive gold imports by Indians despite the public holdings of gold is in excess of 30,000 metric tons, Indian Government introduced a new Gold Deposit Scheme with attractive benefits to the gold depositors in the year 2015 to recycle the available idling gold in the country for meeting internally the entire fresh ornamental gold demand.<sup>[4]</sup> Government of India has nearly 550 tons of gold reserves which would help in kick starting the scheme.



Historical Gold price in INR<sup>[1]</sup>