



Sovereign Gold Bond Scheme

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Why in News

A **seventh tranche** of the gold bond scheme - in which the **Reserve Bank of India (RBI)** issues bonds linked to the market price of gold on behalf of the government - will be available for investment on five days starting 12th October, 2020.

Key Points

- **Launch:** The Sovereign Gold Bond (SGB) scheme was **launched in November 2015** with an **objective** to reduce the demand for physical gold and shift a part of the domestic savings - used for the purchase of gold - into financial savings.
- **Issuance:** The Gold Bonds are issued as Government of India Stock under the **Government Securities (GS) Act, 2006**.
 - These are **issued by the RBI on behalf of the Government of India**.
 - Bonds are **sold through** Commercial banks, Stock Holding Corporation of India Limited (SHCIL), designated post offices (as may be notified) and recognised stock exchanges viz., National Stock Exchange of India Limited and Bombay Stock Exchange, either directly or through agents.
- **Eligibility:** The bonds are restricted for sale to **resident individuals, Hindu Undivided Families (HUFs), trusts, universities and charitable institutions**.

- **Features:**

- **Issue Price:** The price of the gold bonds is calculated based on the spot price of gold as provided by the Mumbai-based India Bullion and Jewellers Association (IBJA).

For the **seventh tranche**, a price of Rs. 5,051 per unit is applicable. Those **purchasing the bonds through an online mode** - using a digital mode of payment - get a **discount of Rs. 50 on each unit**.

- **Investment Limit:** Gold bonds can be **purchased in the multiples of one unit**, up to certain thresholds for different investors.

- The **upper limit** for retail (individual) investors and HUFs is 4 kilograms (4,000 units) each per financial year. For trusts and similar entities, an upper limit of 20 kilograms per financial year is applicable.

- **Minimum permissible investment is 1 gram of gold.**

- **Term:** The gold bonds come with a **maturity period of eight years**, with an **option to exit the investment after the first five years**.

- **Interest Rate:** A fixed rate of **2.5% per annum** is applicable on the scheme, payable **semi-annually**.

The interest on Gold Bonds **shall be taxable** as per the provision of Income Tax Act, 1961.

- **Benefit:**

- Bonds can be used as **collateral for loans**.

- The **capital gains tax** arising on redemption of SGB to an **individual** has been **exempted**.

- Redemption is the act of an issuer repurchasing a bond at or before maturity.

- Capital gain is the profit earned on the sale of an asset like stocks, bonds or real estate. It results in when the selling price of an asset exceeds its purchase price.

Source: HT