Sovereign Gold Bond Scheme 2023-24

Why in News?

Recently, the Government of India, in consultation with the **Reserve Bank of India**, has decided to issue **Sovereign Gold Bonds** (SGBs) in tranches for 2023-24.

- The first SGB scheme was launched by the Government in November 2015, **under** Gold Monetisation Scheme 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.

What are the Key Details of the Scheme?

Item	Details
Issuance	Issued by the Reserve Bank of India on behalf of the Government of India.
Eligibility	SGBs will be **restricted for sale to resident individuals, HUFs (Hindu Undivided Family), Trusts, Universities and Charitable Institutions.**
Tenor	The tenor of the SGB will be **for a period of eight years** with an option of **premature redemption after 5th year.**
Minimum size	Minimum permissible investment will be **One gram of gold.**
Maximum limit	The maximum limit of subscription **shall be 4 Kg for individuals, 4 Kg for HUF** and **20 Kg for trusts** and similar entities per fiscal year (April-March) notified by the Government from time to time.
Joint holder	In case of joint holding, the **investment limit of 4 Kg** will be applied to the first applicant only.
Issue price	Price of SGB will be fixed in Indian Rupees on the basis of simple average of closing price of gold of 999 purity, published by the India Bullion and Jewellers Association Limited.
Sales channel	SGBs will be sold through Scheduled Commercial banks **(except** Small Finance Banks**,** Payment Banks **and** Regional Rural Banks**)**, Stock Holding Corporation of India Limited, Clearing **Corporation of India Limited,** designated post offices and National Stock Exchange of India Limited and Bombay Stock Exchange Limited, either directly or through agents.
Interest rate	The investors will be compensated **at a fixed rate of 2.50% per annum payable semi-annually** on the nominal value (face value or stated value).
Collateral	The SGBs can be used as collateral for loans.
Tax treatment	The interest on SGBs shall be taxable as per the provision of the Income Tax Act, 1961. The **capital gains tax** arising on redemption of SGB to an individual is **exempted.**

Tradability	SGBs shall be eligible for trading.
SLR eligibility	SGBs obtained by banks through the pledge process will be considered as part of their **Statutory Liquidity Ratio** requirements.

What is India Bullion and Jewellers Association Ltd. (IBJA)?

- IBJA was **established in 1919** as an association for bullion traders in India.
- IBJA is considered the **apex association for all bullion and jewellery associations in India.**
- It **publishes daily Gold AM and PM Rates**, which are benchmark rates for issuing Sovereign and Bonds.
- IBJA is involved in promoting trade through exhibitions and is setting up its own **Domestic Gold Spot exchange, Bullion refinery, and gems & jewellery park.**
- It assists its members in promoting and **regulating bullion trade, resolving disputes, providing a neutral platform for weighing precious metals,** and interacting with government departments.
- IBJA owns a building in **Zaveri Bazaar, Mumbai,** where it **carries out various business activities for the bullion and jewellery industry.**

UPSC Civil Services Examination, Previous Year Question (PYQ)

Q. What is/are the purpose/purposes of Government's 'Sovereign Gold Bond Scheme' and 'Gold Monetization Scheme'? (2016)

1. To bring the idle gold lying with Indian households into the economy.
2. To promote FDI in the gold and jewellery sector.
3. To reduce India's dependence on gold imports.

Select the correct answer using the code given below:

(a) 1 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

Ans: (c)

Exp:

- Sovereign Gold Bond Scheme and Gold Monetization Scheme were launched by the Government in 2015.
- The main objectives of these schemes are:
- To mobilize the gold held by households and institutions in the country. Hence, 1 is correct. To provide a fillip to the gems and jewellery sector in the country by making gold available as raw material on loan from the banks
- To be able to reduce reliance on import of gold over time to meet the domestic demand. Hence, 3 is correct.
- To promote FDI in gold and jewellery sector is not the objective of these schemes. Hence, 2 is not correct. Therefore, option (c) is the correct answer.

Source: PIB