

Sovereign Gold Bond Scheme

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In News

SGBs are **government securities denominated in grams of gold**. They are substitutes for holding physical gold. Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity. The Bond is **issued by the Reserve Bank on behalf of the Government of India**.

Features of SGB Scheme

- The quantity of gold for which the investor pays is protected, since he receives the **ongoing market price at the time of redemption/ premature redemption**.
- The SGB offers a superior alternative to holding gold in physical form. The **risks and costs of storage are eliminated**.
- Investors are assured of the market value of gold at the time of maturity and periodical interest. SGB is **free from issues like making charges and purity in the case of gold in jewellery form**.
- **Persons resident in India as defined under Foreign Exchange Management Act, 1999 are eligible** to invest in SGB. Eligible investors include individuals, HUFs, trusts, universities and charitable institutions.
- The Bonds are issued in **denominations of one gram of gold** and in multiples thereof. Minimum investment in the Bond shall be one gram with a **maximum limit of subscription of 4 kg for individuals, 4 kg for Hindu Undivided Family (HUF) and 20 kg for trusts and similar entities**
- The Bonds bear **interest at the rate of 2.50% (fixed rate) per annum** on the amount of initial investment. Interest will be **credited semi-annually** to the bank account of the investor and the last interest will be

payable on maturity along with the principal.

- Bonds are sold through offices or branches of Nationalised Banks, Scheduled Private Banks, Scheduled Foreign Banks, designated Post Offices, Stock Holding Corporation of India Ltd. (SHCIL) and the authorised stock exchanges either directly or through their agents.
- The nominal value of Gold Bonds shall be **in Indian Rupees fixed on the basis of simple average closing price of gold of 999 purity**, published by the India Bullion and Jewelers Association Limited, for the last 3 business days of the week preceding the subscription period.
- On maturity, the Gold Bonds shall be redeemed in Indian Rupees and the redemption price shall be based on simple average closing price of gold of 999 purity of previous 3 business days from the date of repayment, published by the India Bullion and Jewelers Association Limited.
- Though the **tenor of the bond is 8 years, early encashment/ redemption of the bond is allowed after the fifth year** from the date of issue on coupon payment dates. The bond will be **tradable on exchanges**, if held in demat form. It can also be transferred to any other eligible investor.
- **Interest on the Bonds will be taxable as per the provisions of the Income-tax Act, 1961. The capital gains tax arising on redemption of SGB to an individual has been exempted.** The indexation benefits will be provided to long terms capital gains arising to any person on transfer of bond.