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Sovereign Gold Bond

What is the Sovereign Gold Bond?

If we buy gold bars and gold coins as an investment, then we are buying physical gold. But if we invest in these gold bonds floated in the market, which allow us to capture the price movement and also pay a fixed interest just like bank fixed deposits, then it will give great returns. A sovereign gold bond is a simple and a superior alternative to buying physical gold.

Sovereign Gold Bond Scheme 2022-23

- Government is in consultation with the Reserve Bank of India and decided to issue Sovereign Gold Bonds in tranches for 2022-23. These Gold Bonds are issued as Government of India Stock under the Government Securities (GS) Act, 2006
- In November-2015, the SGB scheme was also launched. Its main objectives are:- to reduce the demand for physical gold, shift a part of the domestic savings which is used for the purchase of physical gold into financial savings.
- SGB are issued by the Reserve Bank of India (RBI) on behalf of the GOI.
- SGB are sold through Commercial banks, post offices, Stock Holding Corporation of India Limited (SHCIL), and recognised stock exchanges, NSE and BSE, either directly or through agents.
- These bonds are restricted for sale to resident individuals, Hindu Undivided Families (HUFs), trusts and charitable institutions.
- SGB prices are linked to the price of gold of 999 purity (24 carats) published by India Bullion and Jewelers Association (IBJA), Mumbai.

- A fixed rate of 2.5% per annum is applicable on the scheme, payable semi-annually.
- The interest on Gold Bonds is taxable as per the provision of Income Tax Act, 1961.
- The capital gains tax arising on redemption of SGB to an individual has been exempted.
- Gold bonds can be purchased in the multiples of one unit, up to certain thresholds limit for different investors. Minimum permissible investment is 1 gram and maximum 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.
- Maturity period of gold bonds is of eight years, with an option to exit the investment after the first five years.

Sovereign Gold Bond advantages over physical gold

- SGB allows you to get a lower price than physical gold when applied online.
- It gives a fixed interest rate.
- It has no holding or storage cost.
- These bonds carry a sovereign guarantee since they are issued by the government.
- There is no capital gains tax at maturity or redemption for individual investors.
- There is an indexation benefit if the same is transferred before maturity for non-individual investors.
- These bonds are highly liquid. This is because the investment can be used as collateral for loans

Source :- PIB.Gov

Puneet Bhatia