Sovereign Gold Bonds

drishtiias.com/printpdf/sovereign-gold-bonds

Government of India, in consultation with the Reserve Bank of India, has decided to issue Sovereign Gold Bonds-2018-19. The Sovereign Gold Bonds will be issued every month from October 2018 to February 2019

- Sovereign Gold Bonds are government securities denominated in grams of gold. They are substitutes for holding physical gold.
- The sovereign gold bond scheme was launched in November 2015 to reduce the demand for physical gold and shift a part of the domestic savings, used for the purchase of gold, into financial savings.
- Gold and crude oil have significant role in India's widening current account deficit. The government, however, chose not to increase import duty on gold when it raised duty on non-essential imports to narrow the current account deficit, fearing a surge in gold smuggling.
- The main objective of the scheme is to develop a financial asset as an alternative to purchasing metal gold.

Sl. No.	Item	Details
1	Issuance	By Reserve Bank India on behalf of the Government of India.
2	Eligibility	Restricted for sale to resident entities including individuals, Hindu Undivided Families (HUFs), Trusts, Universities, and Charitable Institutions.
3	Denomination	The Bonds will be denominated in the multiples of gram(s) of gold with a basic unit of 1 gram.

4	Tenor (time to maturity of a bond)	The tenor of the Bond will be for a period of 8 years with exit option in 5th, 6th year and 7th year.
5	Minimum size	The minimum permissible investment will be 1 gram of gold.
6	Maximum limit	The maximum limit of subscribed shall be 4 KG for the individual, 4 Kg for HUF and 20 Kg for trusts and similar entities per fiscal (April-March).
7	Sales channel	Bonds will be sold through banks, Stock Holding Corporation of India Limited (SHCIL), designated post offices and National Stock Exchange of India Limited and Bombay Stock Exchange, either directly or through agents.
8	Interest rate	The investors will be compensated at a fixed rate of 2.50 percent per annum payable semi-annually on the nominal value.
9	Collateral	Bonds can be used as collateral for loans
10	Payment	Payment can be made through demand draft, cheque, and electronic banking. Cash payment is allowed up to a maximum of Rs 20,000. The issue price of the Gold Bonds will be Rs 50 per gram less for those who subscribe online and pay through digital mode.
11	Tax treatment	The interest on Gold Bonds shall be taxable as per the provision of Income Tax Act, 1961 (43 of 1961). The capital gains tax arising on redemption of SGB to an individual has been exempted.
12	Tradability	Bonds will be tradable on stock exchanges within a fortnight of the issuance on a date, as notified by the RBI.