



Sovereign Gold Bond Scheme

[Source: IE](#)

Why in News?

Recently, the **Union Government** in the [Budget 2024-25](#) announced a reduction of the **import duty on gold** from **15% to 6%**.

- Also, the government intends to finalise its decision on the future of the [Sovereign Gold Bonds \(SGB\)](#).

The Status of the Gold Industry in India

- **Gold Reserves in India:**
 - As per **National Mineral Inventory**, total reserves/resources of gold ore in India estimated at 501.83 million tonnes as of 2015.
 - Largest resources of gold ore are located in **Bihar (44%), followed by Rajasthan (25%), Karnataka (21%),** West Bengal (3%), Andhra Pradesh (3%), Jharkhand (2%).
 - **Karnataka commands around 80% of the nation's total gold output.** The **Kolar Gold Fields (KGF)** in the Kolar district is one of the world's oldest and deepest gold mines.
- **India Gold Import:**
 - **India is the world's second-largest gold consumer.** India's gold imports increased by **30% in 2023-24**, reaching **USD 45.54 billion**.
 - However, there was a significant decline of **53.56%** in gold imports observed in March 2024.

What is the Sovereign Gold Bond Scheme?

- **Launch:**
 - The **SGB scheme** was introduced in **November 2015** with the aim of **decreasing the demand for physical gold** and redirecting a portion of domestic savings, which would otherwise be used to buy gold, into financial savings.
- **Issuance:**
 - The **Gold Bonds** are issued as **Government of India Stock** under the **Government Securities (GS) Act, 2006**.
 - These bonds are issued by the [Reserve Bank of India \(RBI\)](#) on behalf of the Government of India.
 - They are available for purchase 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.

- **Eligibility:**
 - The bonds are available for purchase by resident **individuals, Hindu Undivided Families (HUFs), trusts, universities, and charitable institutions.**
- **Features:**
 - **Issue Price:** The price of gold bonds is linked to the **price of gold of 999 purity (24 carats)** as published by the **India Bullion and Jewellers Association (IBJA), Mumbai.**
 - **Investment Limit: Gold bonds** can be bought in multiples of one unit (1 gram), up to specific limits for different investors.
 - **Retail (individual) investors and Hindu Undivided Family (HUF)** have a maximum limit of **4 kilograms (4,000 units)** per financial year, while trusts and similar entities have a limit of **20 kilograms** per financial year. The **minimum investment permitted is 1 gram of gold.**
 - **Term:** Gold bonds have a maturity period of **eight years**, with the option to exit the investment after the first **five years.**
 - **Interest Rate:** The scheme offers a fixed annual interest rate of **2.5%**, payable semi-annually. The interest earned on Gold Bonds is taxable according to the **Income Tax Act, 1961.**
- **Benefit:**
 - **SGBs** can be used as collateral for loans.
 - **Capital gains tax on redemption of SGB** for individuals has been exempted.
 - **Redemption refers to the issuer repurchasing a bond** at or before maturity.
 - Capital gain is the profit earned when the selling price of an asset, such as stocks, bonds, or real estate, exceeds its purchase price.
- **Disadvantages of Investing in SGB:**
 - This is a long-term investment, unlike physical gold, which can be sold immediately.
 - Although SGBs are listed on exchanges, the trading volumes are relatively low, **making it challenging to exit before maturity**
- **Green Bonds:**
 - **Green bonds** are issued by **companies, countries and multilateral organisations** to exclusively fund projects that have positive environmental or climate benefits and provide investors with fixed income payments.
 - The government plans to issue **sovereign green bonds** worth approximately Rs 20,000 crore in the financial year 2024-25.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims:

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)

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