

Sovereign Gold Bonds Scheme

As per Reserve Bank of India, Sovereign Gold Bonds Scheme is defined as:

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 Reserve Bank on behalf of Government of India.

Who can issue Sovereign Gold Bonds Scheme 2018-19?

To be issued by Reserve Bank India on behalf of the Government of India.

Who can purchase Sovereign Gold Bonds Scheme 2018-19?

The Bonds will be restricted for sale to resident entities including individuals, HUFs, Trusts, Universities and Charitable Institutions.

Denomination available for Sovereign Gold Bonds Scheme 2018-19

The Bonds will be denominated in multiples of gram(s) of gold with a **basic unit of 1 gram**.

Tenor of Sovereign Gold Bonds Scheme 2018-19

The tenor of the Bond will be for a period of 8 years with exit option in 5th, 6th year and 7th year to be exercised on the interest payment dates.

Minimum size of Sovereign Gold Bonds Scheme 2018-19

Minimum permissible investment will be **1 gram** of gold.

Maximum limit of Sovereign Gold Bonds Scheme 2018-19

The maximum limit of subscribed shall be 4 KG for individual, 4 Kg for HUF and 20 Kg for trusts and similar entities per fiscal (April-March) notified by the Government from time to time. A self-declaration to this effect will be obtained.

Issue price of Sovereign Gold Bonds Scheme 2018-19

Price of Bond 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 for the last 3 working days of the week preceding the subscription period.

The issue price of the Gold Bonds will be ₹50 per gram less for those who subscribe online and pay through digital mode.

Payment option of Sovereign Gold Bonds Scheme 2018-19

Payment for the Bonds will be through cash payment (**up to a maximum of ₹20,000**) or demand draft or cheque or electronic banking.

Redemption price of Sovereign Gold Bonds Scheme 2018-19

The redemption price will be in Indian Rupees based on previous 3 working days simple average of closing price of gold of 999 purity published by IBJA.

Who will sell Sovereign Gold Bonds Scheme 2018-19

Bonds will be sold through banks, **Stock Holding Corporation of India Limited (SHCIL)**, designated **post offices (as may be notified)** and **recognised stock exchanges viz.**, National Stock Exchange of India Limited and Bombay Stock Exchange, either directly or through agents.

Interest rate of Sovereign Gold Bonds Scheme 2018-19

The investors will be compensated at a fixed rate of **2.50 percent per annum payable semi-annually** on the nominal value.

Tax & loan on Sovereign Gold Bonds Scheme 2018-19

- Bonds can be used as collateral for loans. The loan-to-value (LTV) ratio is to be set equal to ordinary gold loan mandated by the Reserve Bank from time to time.
- 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.
- The indexation benefits will be provided to long term capital gains arising to any person on transfer of bond.

Important Terms related to Sovereign Gold Bonds Scheme 2018-19

- **SGB** - Sovereign Gold Bonds
- **SHCIL** - Stock Holding Corporation of India Limited
- **IBJA** - India Bullion and Jewellers Association Limited
- **HUF** - Hindu Undivided Family
- **LTV** - Loan To Value