



KAMARAJ IAS ACADEMY
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Sovereign Gold Bonds

Published On: 15-06-2023

Why is in news? Government of India, in consultation with the Reserve Bank of India, has decided to issue Sovereign Gold Bonds 2023-2024

- The Government of India, in consultation with the Reserve Bank of India, has decided to issue Sovereign Gold Bonds (SGBs) in tranches as per the calendar specified below:
- Tranche: 2023-24 Series I, 2023-24 Series II
- Date of Subscription: June 19 - June 23, 2023, September 11-September 15, 2023
- Date of Issuance: June 27, 2023, September 20, 2023

Sovereign Gold Bonds - 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.

Features of the Bond:

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

Eligibility: The SGBs will be **restricted for sale to resident individuals, Hindu undivided families (HUFs), Trusts, Universities and Charitable Institutions**.

Denomination: The SGBs will be **denominated in multiples of gram(s) of gold** with a basic unit of one gram.

Tenor: The tenor of the SGB will be for a **period of eight years with an option of premature redemption** after 5th year to be exercised on the date on which interest is payable.

Minimum size: **Minimum permissible investment** will be **One gram of gold**.

Maximum limit: The maximum limit of subscription **shall be 4 Kg for individual, 4 Kg for HUF and 20 Kg for trusts** and similar entities per fiscal year (April-March) notified by the Government from time to time. A self-declaration to this effect will be obtained from the investors at the time of making an application for subscription. The annual ceiling will include SGBs subscribed under different tranches, and those purchased from the secondary market, during the fiscal year.

Joint holder: In case of joint holding, the **investment limit of 4 Kg** will be **applied to the first applicant only**.

Issue price: Price of SGB 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 (IBJA) for the last three working days** of the week preceding the subscription period. **The issue price of the SGBs will be less by ₹50 per gram** for the investors who **subscribe online and pay through digital mode**.

Payment option: Payment for the SGBs will be **through cash payment** (upto a maximum of ₹20,000) **or demand draft or cheque or electronic banking**.

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Issuance form: The SGBs will be **issued as Government of India Stock under Government Securities Act, 2006**. The investors will be issued a Certificate of Holding for the same. The SGBs will be **eligible for conversion into demat form**.

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

Sales channel: SGBs will be sold through Scheduled Commercial banks (**except Small Finance Banks, Payment Banks and Regional Rural Banks**), Stock Holding Corporation of India Limited (SHCIL), Clearing Corporation of India Limited (CCIL), designated post offices (as may be notified) and recognised stock exchanges viz., National Stock Exchange of India Limited and Bombay Stock Exchange Limited, **either directly or through agents**.

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

Collateral: The **SGBs can be used as collateral for loans**. The loan-to-value (LTV) ratio will be as applicable to any ordinary gold loan, mandated by the Reserve Bank from time to time.

KYC documentation: Know-your-customer (KYC) norms will be the **same as that for purchase of physical gold**. KYC documents such as Voter ID, Aadhaar card/PAN or TAN /Passport will be required. Every application must be accompanied by the 'PAN Number' issued by the Income Tax Department to individuals and other entities.

Tax treatment: The interest on SGBs **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 is exempted**. The indexation benefits will be provided to long term capital gains arising to any person on transfer of the SGB.

Tradability: SGBs shall be eligible for trading.

SLR eligibility: SGBs acquired by the banks through the process of invoking lien/hypothecation/pledge alone, shall be counted towards Statutory Liquidity Ratio.

Commission: Commission for distribution of the bond shall be **paid at the rate of one per cent of the total subscription** received by the receiving offices and receiving offices shall share at least 50 per cent of the commission so received with the agents or sub agents for the business procured through them.