

Sovereign Gold Bonds

About SGB

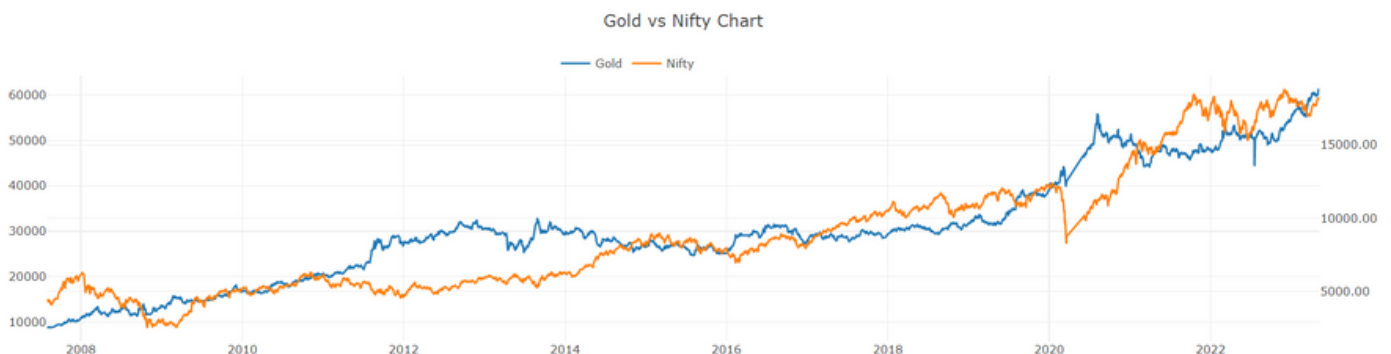
SGB is a type of financial instrument issued by the Reserve Bank of India (RBI) on behalf of the Government of India. SGBs allow investors to invest in gold in a digital form rather than buying physical gold. Essentially, SGBs are government securities denominated in grams of gold, and the value of the bonds is linked to the prevailing market price of gold.

Investors can buy and sell SGBs on the stock exchanges, and the bonds have a fixed tenure of eight years. At maturity, investors receive the market value of gold prevailing on the maturity date. SGBs are a popular investment option for those looking to diversify their portfolio and invest in gold without the hassles of storing physical gold.

How to invest in SGB?

- Obtain an application form from the issuing banks or designated post offices, or download it from the RBI website
- Alternatively, apply online through the State Bank of India portal
- Provide PAN number issued by the Income Tax department when filling out the form
- SGBs can be purchased through Scheduled Foreign and Private Banks, Nationalized Banks, the Stock Holding Corporation of India, and Designated Post Offices
- Submitting an application does not guarantee the issuance of the bonds
- Online applicants may receive the bonds at INR 50 per gram less than the nominal value

Gold Price Performance



Features

Issuance	Issued by RBI on behalf of Government of India.
Eligibility	Resident of India
Denomination	Multiples of gram(s) of gold with a basic unit of 1 gram.
Tenor	8 years with exit option from 5th year to be exercised on the interest payment dates.
Minimum limit	1 gm (per fiscal year)
Maximum limit	4 kg for individuals and HUF (per fiscal year) 20 kg for trusts
Issue price	Average of preceding 3 days's closing price of 999 purity gold.
Payment option	Cash payment (upto a maximum of ₹ 20,000) or demand draft or cheque or electronic banking.
Interest	2.50% p.a. payable semi-annually on the nominal value.
Collateral	Bonds can be used as collateral for loans.
Tax treatment	The interest 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.
Tradability	Bonds will be tradable on stock exchanges within a fortnight of the issuance on a date as notified by the RBI.
Redemption	Prevailing market price of gold at the time of redemption as well as interest accrued on investment over the bond's holding period.
Channel of Subscription	Through all Branches & Internet Banking.

Factors contributing to yield:

- Discount found on stock exchange
- 2.5% fix interest rates on Face Value
- Time period left in maturity of bond

Things to consider before buying SGB

- Trading volume of SGBs is very low at exchange. That is why they are traded at a discount. Therefore, assess the liquidity before buying it from exchange.
- Discounted rate can benefit provided you are willing to hold bonds till maturity.

Statutory Disclaimer

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