

## Sovereign Gold Bonds



### SOVEREIGN GOLD BONDS

#### Issue

The government has issued Sovereign Gold Bonds (SGBs) in six tranches beginning April 20. Sovereign Gold Bond 2020-21 will be issued by Reserve Bank India on behalf of the Government of India.

#### Details

- Sovereign gold bond is a substitute for holding physical gold. The bonds are issued by the Reserve Bank of India (RBI) on behalf of the government and are a bond denominated in gold. The government issues such bonds in tranches at a fixed price that investors can buy through banks, post offices and also in the secondary markets through the stock exchange platform.
- These bonds are backed by a sovereign guarantee and can also be held in demat form. Further, they are priced as per the underlying spot gold prices.
- Hence, investors who want to invest in gold can buy the bonds without worrying about safekeeping of physical gold along with locker charges, making charges or purity issues.
- Plus, these bonds offer an interest at the rate of 2.5% per annum on the principal investment amount. While the interest on the bonds is taxable, the capital gains at the time of redemption are exempt from tax. These bonds can also be used as collateral for availing loans from banks and NBFCs.
- SGB has a fixed tenure of eight years, though early redemption is allowed after the fifth year from issuance. Since the bonds are listed on

on the exchange, these can be transferred to other investors as well.

- The bonds are priced in rupees based on the simple average of closing price of gold of 999 purity, published by the India Bullion and Jewellers Association for the last three business days of the week preceding the subscription period.
- At the time of redemption, cash equivalent to the number of units multiplied by the then prevailing price would be credited to the bank account of the investor.
- Capital loss is a risk since the bond prices would reflect any change in gold prices. If gold prices fall, the principal investment would fall proportionately.



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