

COVID-19 impact | Government looking to raise Rs 10,000 crore via tax-free bonds: Report

The Ministry of Finance is looking to raise money in multiple instalments and is reportedly in talks with bankers.

In its efforts to shore up the economy ravaged by the coronavirus pandemic, the government is looking to raise up to Rs 10,000 crore via its maiden tax-free bond issue, according to a report in The Economic Times.

The Ministry of Finance is looking to raise money in multiple instalments and is already in talks with bankers on the tax-free bond issuance, sources told the publication.

Currently, it is unclear whether the ministry will raise the funds through sale of bonds by direct public issue or involve a public sector company as it has done multiple times in the past.

Moneycontrol could not independently verify the report.

The government is looking at multiple ways of raising the necessary sum, including raising funds on temporary basis through ways and means advances (WMA) from the central bank. However, this may prove insufficient, sources said.

“The finance ministry, the Niti Aayog and the Prime Minister’s Office are involved in the discussions,” an executive close in the know said.

Tax-free bonds may turn out to be a preferred investment option for retail investors, who are looking at debt mutual fund schemes with caution lately. The government generally raises funds from the debt market with the Reserve Bank of India (RBI) acting as the auctioneer. If the outcome of the tax-free bonds turns out to be positive, these will open up a whole new avenue of investments for retail investors to participate in a government instrument free of tax.

(Moneycontrol.com)